

# Discursive strategizing as a vehicle for legitimation in a cross-border mergers and acquisition process

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**Abstract**

This thesis examines media discourses related to a mergers and acquisitions process concerning Finnish cranes and industrial lifting equipment manufacturer and service provider Konecranes. The focus is on investigating legitimization dynamics and various strategies utilized to discursively construct legitimacy in the media. Past research has examined legitimization strategies and dynamics in M&As but little is known of the evolution of such dynamics in times of strategic change. Therefore, particular attention is paid to the changes in these strategies over time when an intended merger is cancelled and an acquisition takes place.

The objective of this study is to answer the following research questions: “What are the discursive legitimization dynamics and strategies in a merger and acquisition process?” and “How do these dynamics evolve over time when a merger is cancelled and an acquisition takes place?”. By adopting discourse analysis as a qualitative research method, I examine the micro-level processual dynamics of legitimization in the media. My data consists of 201 media accounts covering the M&A process. These are gathered from four Finnish newspapers and a magazine. Through abduction, I identify five independent and one dependent discursive strategies utilized in the media to (de)construct legitimacy. Rationalization, authorization, normalization, moralization, narrativization and politicization are demonstrated to be utilized both intentionally and unintentionally to either legitimate or delegitimize organizational actions.

My findings indicate that legitimization strategies are utilized in various ways during different periods of a M&A process. It is shown that rationalization and authorization function as primary strategies and that when a merger is cancelled and an acquisition takes place, intentional legitimization efforts focus on positive aspects of the new deal instead of comparison between the two. I also argue that the amount and nature of source material available for the media influences the relative prominence of legitimization strategies during the M&A process. Finally, it is concluded that organizational reality and concrete integration results are central in legitimating strategic changes.

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**Keywords** mergers and acquisitions, legitimacy, legitimization strategies, discursive legitimization, discourse analysis

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**Tiivistelmä**

Tämä tutkielma tarkastelee mediadiskursseja koskien suomalaisen nostolaitevalmistaja ja palveluntuottaja Konecranesin fuusio ja yrityskauppaprosessia. Tarkoituksena on tutkia legitimoitidynamiikoita sekä erinäisten strategioiden käyttöä legitimizeetin diskursiivisessa konstruoinnissa mediassa. Aiempi tutkimus on tarkastellut legitimoitidynamiikoita fuusioissa ja yrityskaupoissa, mutta näiden kehitystä strategisten muutosten yhteydessä on tutkittu vain vähän. Tämän vuoksi erityistä huomiota kiinnitetään legitimoitistategioissa tapahtuviin muutoksiin fuusion peruuntuessa ja yrityskaupan toteutuessa sen sijaan.

Tämän tutkimuksen tavoitteena on vastata seuraaviin tutkimuskysymyksiin: ”Mitä ovat diskursiiviset legitimoitidynamiikat ja -strategiat fuusio ja yrityskauppaprosessissa?” ja ”Miten nämä dynamiikat kehittyvät, kun fuusio peruutetaan ja sen sijaan toteutetaan yrityskauppa?”. Käyttämällä diskurssianalyysia laadullisena tutkimusmenetelmänä, tutkin mikrotason prosessuaalisia dynamiikoita legitimoinnissa mediassa. Tutkimusdata koostuu 201:stä mediatekstistä, joissa kyseistä fuusio ja yrityskauppaprosessia käsitellään. Tekstit on kerätty neljästä suomalaisesta sanomalehdestä sekä yhdestä aikakauslehddestä. Pohjaten analyysiini aiempaan tutkimukseen tunnistan viisi riippumatonta ja yhden kontekstisidonnaisen strategian legitimizeetin (de)konstruointiin mediassa. Tutkimuksessa osoitetaan, että rationalisaatiota, auktorisaatiota, normalisaatiota, moralisaatiota, narrativisaatiota ja politisointia käytetään sekä tarkoituksellisesti että tahattomasti organisaatioiden toiminnan legitimoinnissa ja vastustamisessa. Tulokseni viittaavat siihen, että legitimoitistategioita käytetään vaihtelevin tavoin fuusio ja yrityskauppaprosessin aikana. Tutkimukseni osoittaa, että rationalisaatio ja auktorisaatio toimivat ensisijaisina strategioina. Lisäksi vaikuttaa siltä, että fuusion muuttuessa yrityskaupaksi tarkoitukselliset legitimoititoimet keskittyvät toteutuneen kaupan positiivisiin puoliin vertailun sijaan. Esitän myös, että lähdemateriaalin määrä ja luonne vaikuttavat legitimoitistategioiden suhteelliseen käyttöön fuusio ja yrityskauppaprosessin aikana. Lopuksi, tutkimukseni osoittaa, että organisaatiotodellisuus ja konkreettiset integraatitulokset ovat keskeisiä strategisten muutosten legitimoinnissa.

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**Avainsanat** fuusiot ja yrityskaupat, legitimizeetti, legitimaatiostrategiat, diskursiivinen legitimointi, diskurssianalyysi

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# **1. Introduction**

## **1.1 Background and motivations**

Organizational change in general, and mergers and acquisitions (M&A) in particular are an interesting and widely researched phenomenon. To a researcher with a keen interest in strategic change, M&As are almost by definition extremely interesting subjects to study. They are often the most rapid, dramatic and strategically significant changes that an organization goes through making them so called “extreme situations” and therefore fitting topics for studying the phenomena of strategic change (Eisenhardt, 1989, 537; Pettigrew, 1988). In addition to the ‘extreme’ nature of M&As, the interest among researchers can at least partially be explained by M&As increasing popularity among practitioners (Graebner et al., 2017) in spite of notably low success rates (Marks & Mirvis, 2011).

Recent years have seen some of the largest M&As in Finland’s economic history. In addition to impacting the businesses in question, M&As influence societies more broadly, from employment opportunities and tax revenues to general economic activity. Therefore, M&As in general and large cross-border M&As in particular have received wide coverage in the media and sparked interesting public discussions of what is good, acceptable and desirable in the corporate realm. This has resulted in a variety of perceptions about M&As as some are seen as legitimate while others as illegitimate. According to Mazza and Alvarez (2000), these views of legitimacy are formed in discursive struggles taking place principally in the media (see also Tienari et al., 2003) and therefore, investigating how legitimacy is constructed and deconstructed in that arena can contribute to our understanding of M&As more broadly.

Legitimacy and legitimation have been examined from various points of view and while this stream of research emanates from sociology, its role in organizational research has increased lately. Vaara and Tienari (2002) investigated various discourse types in the media and their role in legitimating M&As while Suddaby and Greenwood (2005) identified rhetorical legitimation strategies in a M&A case. Vaara and colleagues (2006) further contributed to this stream of research in their analysis of media texts focusing on specific legitimation

strategies utilized in organizational restructurings. They argue that by looking at micro-level discursive practices and elements in the media, the subtle “complexities, ambiguities, and contradictions of legitimation processes” (p. 806) can better be understood. Further research has since examined discursive legitimation in a shutdown of a multinational corporation (Vaara & Tienari, 2008), problems of discursive legitimation and its connection to organizational action (Vaara & Monin, 2010) as well as changes to discursive practices of legitimation in the context of executive pay (Joutsenvirta, 2013). Albeit growing interest in discursive practices and legitimacy, relatively little research has been done on the micro-level discursive strategizing that actually constructs legitimacy in M&A situations. This means that Vaara and colleagues’ (2006) call for more research on legitimation strategies and their categorizations has not been fully answered.

According to Hirsch and DeSoucey (2006) restructuring discourses can change over time as organizational realities that those discourse reflect change. This means that legitimation strategies used in the past might not be relevant today. Moreover, in lengthier and widely covered M&A processes the media discourses consist of nuanced, intertwined and even contradictory legitimation strategies (Tienari et al., 2003) of which utilization varies during the process itself. In other words, as the M&A process changes, it is likely that the strategies utilized to legitimate those changes change as well. However, due to a lack of literature on the issue, very little is known about the changes in the use of legitimation strategies over time. As this aspect of legitimation has both theoretical and practical implications, empirical research on the issue should be conducted.

Vaara and colleagues (2006) stress media’s important role in legitimating organizational actions and change. They argue that journalists both intentionally and unintentionally use discursive strategies to either legitimate or delegitimize organizational actions, complementing Mazza and Alvarez’s (2000) notion of the media being the principal arena for legitimation. Tienari and colleagues (2003) further argue that media discourses on cross-border M&As are especially fruitful for analysis of discursive strategizing and thereby in this thesis I will focus on media coverage of an international M&A process. According to Nicholson and Anderson (2005) media plays an important role in both shaping the world views of their audiences as well as reflecting those views (see also Tienari et al., 2003). In my view, the media is a rich source for dramatic texts that possess varying perspectives on issues and therefore systematic analysis of it helps to create a holistic reflection of the public

discourse that defines what is legitimate and what is not. A discursive approach to media texts is therefore adopted in order to increase our understanding of the sophisticated meaning making processes central for legitimation, addressing Vaara and colleagues' (2006) call for further investigations into subtle textual means of discursive strategizing.

To increase our understanding of these micro-dynamics of legitimation, examining the media coverage of a tumultuous M&A process during an extended period of time can be enlightening. Legitimacy for the intended Konecranes Terex merger and the later acquisition arrangement was constructed in the Finnish media through utilization of various legitimation strategies. By applying discourse analytical methods, my thesis aims at elaborating on the micro-processual dynamics of these strategies and changes in them and by doing so, address the above laid out research gaps. Moreover, a discursive approach will allow me to inspect the actual processes through which legitimacy is constructed instead of legitimacy as a phenomenon per se (Vaara & Monin, 2010). In essence, my analysis aims at the identification and categorization of legitimation strategies in a M&A process and at exploration of the changes in them when a merger is cancelled and an acquisition takes place. That is to say, my thesis seeks to contribute to our understanding on discursive legitimation strategies in M&As in general and on the changes in those strategies in particular.

## **1.2 Research objectives and questions**

My research has two main objectives that are to expand and test previous research on legitimation strategies and to begin a tentative discussion about the theoretical aspects of changes in legitimation strategies. Due to the scope and nature of this research, the main focus of my thesis is in first objective while the second objective should only be considered as a suggestion for more focused and profound research. First, although some research on legitimation strategies has been conducted, our understanding of these strategies and ways to categorize them is still lacking (Vaara et al., 2006). Thereby, my objective is to expand and test the generalizability of findings from previous research on legitimation strategies. Second, studies investigating legitimation dynamics in times of strategic change, especially when a merger turns into an acquisition are lacking. By abducting between previous research on legitimation strategies and my empirical data, I aim to open up a discussion on legitimation dynamics in such circumstances and hope to encourage more in-depth research



on the topic to test and refine my rudimentary observations. To achieve these objectives, I will answer two research questions that are:

1. What are the discursive legitimation dynamics and strategies in a merger and acquisition process?
2. How do these dynamics evolve over time when a merger is cancelled and an acquisition takes place?

Answering these questions will position my research in the junction of mergers and acquisitions literature and legitimation literature. Although both are widely research topics, current literature sheds very little light on the intersection providing only glimpses of a fundamental phenomenon in organizational science.

### **1.3 Thesis structure**

This thesis is divided into five chapters. In this chapter, I have introduced my research by describing its background and motivations, laying out research objectives and questions as well as discussing the thesis structure. The following chapter consists of a review of relevant literature. I begin it with presenting previous research on mergers and acquisitions and then move on to legitimation. Building on these, I will then finish that chapter by presenting my theoretical framework for this study. In chapter three, I discuss my methodology, data collection and analysis and considerations. A short description of the research context is also presented in order to assist in the reading of the fourth chapter, findings, which describes the analysis conducted in this thesis. In chapter five, discussions and conclusions, I summarize my research and discuss its implications. Limitations of this study as well as suggestions for future research are also considered before final conclusions.

## **2. Literature review**

In this section I review relevant literature and develop a theoretical frame of reference for this thesis. I begin with an overview of mergers and acquisitions literature spanning over fifty years, focusing on the most recent research. I then proceed to describe the broad body of legitimation research, elaborate on its central role for my thesis and link it to the phenomenon of mergers and acquisitions. Finally, I will conclude the review by presenting a theoretical frame of reference for this thesis.

### **2.1 Mergers and Acquisitions**

#### **2.1.1 A history**

Mergers and acquisitions (M&A) have been actively studied by management and strategy scholars since the 1960s. They represent so called “extreme situations” and are therefore fitting subjects for the study of strategic change (Eisenhardt, 1989, 537; Pettigrew, 1988). Initially, this stream of research stemmed mainly from scholars’ interest in the lack of success of so many M&As (e.g. Kitching, 1967; Levinson, 1970) hence the continual focus on failure. Even though research on the subject spans for over fifty years, relatively little improvements have been made in terms of financial performance or the human side of things (Marks & Mirvis, 2011) while M&As remain popular among practitioners (Graebner et al., 2017). According to Marks and Mirvis (2011), 83 % of deals fail in delivering shareholder value which raises questions such as why is the number of transactions going up instead of down. In their seminal work, Haspeslagh and Jamison (1991) explain this phenomenon by stating that M&As are often seen as ways to achieving strategic goals faster and with fewer resources than would otherwise be possible. More critical observers explain motives for M&As to be empire building, hubris, groupthink, fashions, managerialism and cognitive simplification among others (Vaara & Monin, 2010; Vaara & Tienari, 2002). In this thesis, the point is not to explain or even elaborate on the growing number of M&As and their successes and failures, but to focus on the micro-processual dynamics of legitimation in M&A situations. However, to be able to fully comprehend these dynamics, it is essential review and internalize existing literature on M&As and to elucidate how this body of

research connects to the concepts of legitimacy and legitimation and how it thereby informs this thesis.

To better understand the dynamics of mergers and acquisitions, researchers have approached the issue from several different angles. In the past thirty years attention has shifted from pre-merger strategic analysis towards the dynamics of post-merger integration (PMI) in attempts to find value creation drivers and to identify potential barriers to realizing synergies and other M&A benefits (Graebner et al., 2017). In their review of PMI research, Graebner and colleagues (2017) distinguish three different perspectives or approaches, that are strategic, sociocultural and experience and learning. These are not fully separate nor contradictory streams of research but rather differences in focus.

In the following sections I will review M&A literature relevant for my thesis. As the focus of recent research has been on PMI, I will mainly focus on this aspect of M&As, using Graebner and colleagues' (2017) categorization as a starting point. Of the three approaches, my review will take a closer look into literature from strategic and sociocultural perspectives due to their relevance for my thesis. I will also adopt Graebner and colleagues' (2017) definition of PMI as "multifaceted, dynamic process in which the merging firms or their components are combined to form a new organization" (p. 2) and apply it more broadly to mergers and acquisitions per se. It is important to note that this M&A process consists of intertwined sub-processes and is characterized by unplanned opportunities and problems making it a Mintzbergian combination of deliberate and emergent (Mintzberg, 1985).

### **2.1.2 Strategic perspective**

The earliest work on M&As was done from a strategic perspective (e.g. Kitching, 1967; Levinson, 1970) which as an approach has prevailed (e.g. Jemison & Haspeslagh, 1991; Cording et al., 2008; Reus et al., 2016) and greatly contributed to our understanding of mergers and acquisitions. Studies in this stream pay attention to interaction, alignment, structural integration, resource reconfiguration and renewal, and according to Graebner and colleagues (2017) mainly focus on value creation, measuring outcomes in economic terms. Regardless of the long history of the strategic perspective, only few relatively compelling conclusions can be made. Larsson and Finkelstein (1999) argue that more and better interaction results in improved financial performance while Bresman and colleagues (1999) have shown it to lead to increased knowledge transfer in research and development. Research

on strategic alignment has produced more ambiguous and somewhat contradictory findings. Zollo and Reuer (2010) demonstrated positive causality between alignment and performance while Zollo (2009) and Reus and colleagues (2016) found no evidence supporting this. The results have been similarly mixed when autonomy and control (Chatterjee et al. 1992; Reus & Lamont, 2009; Datta & Grant, 1990; Sarala & Vaara, 2010) and structural integration (Puranam et al. 2006; Puranam & Srikanth, 2007) have been examined.

Overall, research concerning interaction and alignment seems to indicate that the success or failure of an M&A is highly context dependent and that the role of communication is crucial. From a critical realist ontology, organizational environments are seen as moderately socially constructed making these notions of context and communication interesting. That is to say, M&As take place in discursively constructed contexts where micro-processes of legitimation take place in order to justify organizational action with regard to prevailing social norms and values that are in turn influenced by agents within and outside of that environment. Therefore, investigating these micro-processes can help us better comprehend the obvious ambiguities and context dependencies that often blur and confuse research conducted from strategic perspective.

A second more conclusive finding from strategic perspective research has been that organizations must “continually reconfigure their assets, knowledge and capabilities to maintain competitive advantage” (Graebner et al., 2017, 6; Barney, 1991; Kogut & Zander, 1992; Eisenhardt & Martin, 2000). M&As can counter organizational inertia by prompting the restructuring of business units and therefore resulting in organizational renewal (Barkema & Schijven, 2008; Karim, 2006). Interestingly for this thesis, according to Capron and colleagues (1998) resource reconfiguration happens more often from the acquirer to target than the other way around even though performance vice the latter has been shown to be more beneficial (Capron, 1999). Within the context of neoliberal and capitalist discourse, financially sub-optimal decisions have to be legitimated somehow meaning institutional analysis of the micro-processes of legitimation could broaden our understanding of the issue especially as Capron and Guillen (2009) found that institutional norms do indeed affect reconfiguration decisions.

Knowledge transfer and recombination are often, but not always, seen as benefits of M&As (Graebner et al., 2017). They are perceived as opportunities to create value but also as threats

that might disturb innovation (Kogut & Zander, 1992; 1996). Empson (2001) argues that differences in how tacit and codified knowledge are perceived and valued can become a problem while the intentions of the acquirer (Meyer & Lieb-Doczy, 2003) and the proactiveness of the acquired leaders (Graebner, 2004) also affect knowledge transfer. Interestingly for this thesis, it is clear that both codified as well as tacit knowledge are components of organizational discourses legitimating certain actions while delegitimizing others. Organizational agents, such as leaders of acquired entities are also in key roles when looking at how organizational reality is constructed via discourse. Therefore, these insights inform this thesis and by examining these discourses, we can broaden our understanding of mergers and acquisitions in general and knowledge transfer and recombination in particular.

### **2.1.3 Sociocultural perspective**

The sociocultural perspective on M&As is a relatively new one and has its origins in the realization that the strategic perspective alone could not answer the question of why do so many M&As fail. Initial analysis (e.g. Buono et al., 1985) suggested that cultural differences create tension and have negative effect on performance while more recent studies (Morosini et al., 1998) have argued that complementariness in cultures can be beneficial. The role of national cultural differences has also been investigated pointing out its decreasing effect on social conflict (Vaara et al., 2012). Nahavandi and Malekzadeh (1988) offer possibly the most nuanced analysis on cultural integration in M&A, arguing that the degree of similarity between the desired acculturation modes of the two organizations predicts performance in PMI. Other studies point to mixed results regarding the influence of cultural differences on performance (Stahl & Voigt, 2008) while the importance of communication (Reus & Lamont, 2009) and other social integration measures are stressed unanimously (Larsson & Lubatkin, 2001; Schweiger & Goulet, 2005).

Similar to the strategic perspective, studies approaching M&As from a cultural point of view have not been able to reach a consensus on the impact of cultural differences. In this stream of research context dependency is again central as is communication. In addition to these, inherent biases in attributing failure but not success to culture (Vaara et al., 2014) and the institutional nature of organizational culture (Riad, 2005) inform and link this perspective to legitimation literature and thereby to my thesis.

Another aspect of the sociocultural perspective on M&As and PMI is identity, which is defined as “shared sense by organizational members of who they are as a group” (Graebner et al., 2017, 12). The basic thesis of identity research is that identification with the new organization improves performance while feelings and perceptions of being dominated or ousted decrease it (Van Knippenber & Van Leeuwen, 2001; Van Knippenberg et al., 2002; Ullrich et al., 2005). On the other hand, Graebner (2004) and Colman and Lunnan (2011) have shown that a perceived identity threat can also bring forth serendipitous value creation opportunities. This contradiction implies that identity is reliant on the dialogical dynamics of sense making and sense giving in the organization (Vaara & Tienari, 2011) and again very context dependent, making it a relevant topic for my thesis. Additionally, Ailon-Souday and Kunda (2003) observed how stereotypes were used to construct identities while Vaara and colleagues (2003) pointed to metaphors and metonymies as building blocks for such construction. These findings combined with identity’s close link to power and perceptions of domination (Vaara et al. 2005) further reinforce its relevance to my thesis.

In the sociocultural perspective, another relevant aspect with close links to legitimation literature is justice. When two entities are assessed in order to combine them, a comparison ensues inevitably. This has resulted in ‘relative standing’ research examining these comparisons and concluding that comparing often results in feelings of being underappreciated and to poor PMI performance (Hambrick & Cannella, 1993; Very et al., 1997). More interestingly for this thesis, various types of and changes to norms of justice over time have been investigated (Ellis et al., 2009; Monin et al., 2013). In so called mergers of equals distributive justice is especially prevalent but often runs into trouble when operationalized as it creates too high and even false expectations (Meyer & Altenborg, 2007). In addition, Meyer (2001) observed that in cases where ambiguity is high and power is balanced, tradeoffs between financial performance and social integration have to be made. These findings provide an interesting frame of reference when the dynamics of the case company M&A are investigated.

The final aspect of the sociocultural perspective according to Graebner and colleagues (2017) is trust, which they define as “the willingness of a person, group, or organization to rely on another party’s actions in situations involving opportunism or risk” (p. 15). Generally, trust is linked with positive PMI (Stahl et al., 2011) and distrust with negative PMI performance (Lander & Kooning, 2013; Maguire & Phillips, 2008). Maguire and

Philips (2008) note that institutional trust is very difficult to establish while Graebner (2009) states that erroneous beliefs on trustworthiness are common and result in trust asymmetries. Overall, communication often improves trust (Stahl et al., 2011). From a discursive legitimation point of view, communications' role as the vehicle to establish institutional trust and therefore influence PMI performance makes this research pertinent to my thesis. In addition, the mere existence of trust asymmetries and erroneous beliefs of trustworthiness implies that investigations on rhetorical strategies (e.g. Suddaby & Greenwood, 2005) and manipulative narratives (e.g. Brown, 1998) can help us better understand the underlying dynamics of mergers and acquisitions.

#### **2.1.4 Legitimation in mergers and acquisitions**

In management and strategy literature scholars are rarely unanimous. However, everyone seems to agree that legitimation has a central role in mergers and acquisitions. A merger or an acquisition is a clear manifestation of strategic change necessitating collective and organized action in which legitimation is a key enabler (Demers et al., 2003). Vaara and Tienari (2002) point out that M&As often involve controversial decisions that need justification to become legitimate. Vaara and Monin (2010) agree stating that legitimation is an inherent part of a merger process while Demers and colleagues (2003) argue that it is necessary for employee commitment, to “explain and justify change” (p. 224). As these findings demonstrate, legitimation is a central component of any M&A process, explaining the subtle meaning making processes through which legitimacy is established in organizations (Vaara et al., 2006). However, legitimation is an ambiguous concept and when considered from the legitimacy-as-process perspective (Suddaby et al., 2017), the discourses surrounding and relating to the M&A become crucial in our attempts to understand it.

Schweiger and DeNisi (1991) point to communication as the key tool for legitimation in M&A arguing for the importance of sending the right messages to employees. This notion can be extended to other stakeholders as well, making corporate communications and the media reporting them principal arenas for legitimation. As M&As are ambiguous and complex, they can inhibit “multiple realities” meaning somethings are seen as good or desirable from one perspective while they look bad and undesirable from another (Vaara & Tienari, 2002, 280; Risberg, 1998). For example, to the management striving for efficiency the process might seem very different than to employees being laid off. In Finland, as in most Western nations neoliberal and rationalistic discourse dominates in both the corporate

domain and in the media (Bourdieu 1998; Fairclough 2000; Tienari et al., 2003; Vaara et al., 2006; Vaara & Tienari, 2008). As the management possesses most of the relevant information, them dominating the discourse and being able to establish legitimacy is likely (Vaara & Tienari, 2002). According to Vaara and Tienari (2002) this effortlessness can result in naturalization of a harmful M&A culture where management objectives are not achieved and social harm is caused which is why more critical analysis, such as this study, of M&As and legitimation are needed.

Vaara and Tienari (2002) point to a multitude of interconnected actors and to changing (although often slowly) views and judgements on issues arguing that causal relations are extremely hard to define. In complex and ambiguous processes such as M&A, the objective reality is almost impossible to determine meaning the role of discursive construction of legitimacy is highlighted. Vaara and colleagues (2006) note that discourses frame issues to legitimate organizational action whilst Vaara and Tienari (2002) observe that opinions on M&A are often formed in the very beginning of the process. This implies that particular attention should be paid to the prevalent discourses at the time and shortly after the M&A announcement, while it is also interesting to observe how corporate communications and media discourses change over time to accommodate likely changes to the M&A process (Haspeslagh & Jemison, 1991). These kinds of longitudinal investigations have been rare (exceptions include Vaara & Monin, 2010) and especially studies examining legitimation dynamics in times of strategic changes are lacking. In addition, Vaara and Monin (2010) have called for more research on discursive practices of ‘successful’ M&As, which Konecranes’ acquisition of Terex MHPS arguably is. In this study I aim to address these research gaps by investigating the legitimation dynamics of a cross-border merger over time and in particular, how do these dynamics change when a merger turns into an acquisition.

## **2.2 Legitimacy and legitimation**

### **2.2.1 Sociological roots of legitimacy**

Legitimation and the notions of legitimacy and legitimate rule are ancient concepts and have been discussed and studied by thinkers and scholars at least since antiquity (Zelditch, 2001). Morris Zelditch (2001) reviews the chronology of legitimation theories and goes as far back as the Peloponnesian War arguing that Thucydides was the first writer to engage with the



topic. Subsequently, legitimacy has been a central theme for many influential political thinkers and philosophers such as Machiavelli, Locke, Rousseau and Marx. However, our modern understanding of the topic, especially in the organizational sense, has its roots in the work of 20<sup>th</sup> century sociologists such as Weber (1958, 1968), Parsons (1960) and Berger and Luckman (1966).

Probably the most influential of the above, Max Weber, (1958) distinguished three types of legitimacy: rational-legal, traditional and charismatic (Bendix, 1977, 294-5). Of these, only rational-legal is explicitly discussed from an organizational perspective (Weber, 1958), but more recent research (e.g. Suddaby & Greenwood, 2005; Vaara et al. 2006) has shown that traditional and charismatic foundations of legitimacy can indeed be found in the organizational sphere as well. Weber's work was supplemented by Berger and Luckman's (1966) breakthrough insights on social construction of reality that in my view set the foundations for later research on legitimacy and especially legitimation. It allowed for researchers to better conceptualize the (de-)construction of legitimacy instead of focusing on the bases of legitimate rule per se. For example, Weigand (2015) observed that Weberian legitimacy rests on shared *values* and is only useful when investigating existing institutional orders that already possess legitimacy. If legitimacy is being (re)constructed, shared *needs* can function as basis for it as well as *values*. Weigand (2015) therefore distinguishes substantive (shared values) and instrumental (shared needs) forms of legitimacy. In organizational studies in general, and in the study of dynamics of legitimation strategies in particular, instrumental legitimacy is an especially useful conceptual tool.

The sociological research on legitimation was further advanced by Jurgen Habermas (1975) who introduced the idea of legitimation crisis. According to him, a legitimation crisis occurs when the administrative institution does not have the confidence of those it administers even though it still maintains legal or other formal authority to govern implying a loss of "mass loyalty" needed for the operation of the institutions (Habermas, 1975, 46-7). Habermas' seminal work enhanced our understanding of the dynamic nature of (de)legitimation and was followed by Anthony Giddens' (1984) structuration theory focusing on the question of structure and agency. All in all, legitimation has deep roots in the 20<sup>th</sup> century sociological literature which has significantly influenced organization scholars and management research.

### **2.2.2 Organizational legitimacy**

In organization studies, legitimacy has been studied since the 1970s (Dowling & Pfeffer 1975; Scott 1995, Vaara et al. 2006). It has received the most attention in institutional analysis (e. g. Hybels, 1995; Suchman, 1995) but has been acknowledged as an important topic of study in other analysis as well. The conceptual link between institutions and legitimacy was acknowledged already by Weber (1958) and is logical as “institutions necessarily have the characteristic of legitimacy” and “the institutionalization of a feature of society derives from a legitimation process that occurs over time, and the legitimation process itself derives largely from institutions other than that being legitimated” (Hybels, 1995, 241).

A key characteristic and a clear remnant of the sociological roots in this stream of research is the fact that in contemporary scholarship organizations are seen as complex, ambiguous, political and even somewhat irrational entities (Suchman, 1995). According to Suchman (1995), this view has effectively replaced the old sentiments about organizations as rational profit maximizing machines transforming inputs into outputs in as efficient manner as possible (see also: Scott, 1987, 31-50; Simon 1955). Even though it is broadly accepted that organizations are “open systems” where decision making is all but smooth, unanimous and rational, central concepts such as legitimacy are still ambiguous and dispersed in their definitions (Scott, 1987, 78-92; Suchman, 1995).

For the purposes of this thesis, I will adopt Suchman’s (1995) exemplar definition of legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995, 574). It draws from, but is more nuanced to many previous definitions, such as Talcott Parsons’ way of describing legitimacy as “the appraisal of action in terms of shared or common values” (Parsons, 1960, 175). Parsons understood the need for fit between action and the values of society but in Suchman’s definition it is crucial to appreciate the socially constructed nature of the surroundings to which the organizational action is appraised against. In this thesis legitimacy is understood as this collective perception of the fit between organizational action and socially constructed but also socially constitutive setting that the society, its values and the organization are (Fairclough, 2005).

As Weber (1958) observed already in the beginning of the 20<sup>th</sup> century, legitimacy can rest on several varying but intertwined foundations. His original categorization of legitimacy into three bases has been refined and rethought several times over for example by Boltanski and Thevenot in 1991 (Demers et al. 2003), but most current conceptualizations are still reminiscent of the early sociological work. A more recent and possibly the most influential categorization in organization studies is by Mark Suchman (1995) who distinguishes pragmatic (audience self-interest), moral (normative approval) and cognitive (comprehensibility and taken-for-grantedness) as three separate bases for legitimacy. In this thesis I have followed a notable group of researchers (e.g. Vaara et al. 2006; Vaara & Monin, 2010) in adopting Suchman's approach which in addition to being comprehensive in nature aligns with my understanding of the foundations of legitimacy.

### **2.2.3 Legitimation**

Historically, research on the issue of legitimacy in social sciences in general and in organizational studies in particular has focused on legitimacy per se instead of the process of legitimation (Weber, 1958; Berger & Luckman, 1966; Habermas, 1975; Scott, 1995; Suchman, 1995; Deephouse, 1996). Lately, however, more attention has been paid to this crucial and multifaceted aspect of organizations and organizing (Vaara & Monin, 2010). To understand the complexity and vagueness of the concept of legitimation, it is useful to analyze it in as systematic a way as possible. Suddaby and colleagues (2017) identify three separate streams of legitimation research that stem from varying philosophical starting points and possess somewhat different views on the issue. Legitimacy-as-property research considers legitimacy as a trait or commodity that can be stored and used when and how the possessor of it pleases (Suddaby et al., 2017; Kostova & Zaheer, 1999). It is seen as a kind of social capital with many characteristics of financial capital. Legitimacy-as-property view is problematic as it assumes a constantly stable and ubiquitous state of society and organizations where legitimacy is traded and accumulated in a transactional manner.

Legitimacy-as-process and legitimacy-as-perception streams offer alternative, more dynamic views on the issue. The process view relies on more interpretative notions of organizations meaning legitimacy is socially (de)constructed in continuous interactions between agents (i.e. organizations) pursuing their self-interest (Suddaby et al., 2017; Maguire & Hardy, 2009; Vaara & Tienari, 2008). This view is more nuanced and crucially considers the socially constructed nature of organizational reality and therefore aligns well

with above adopted definitions of legitimacy. In process research, the analysis is often multilevel instead of dyadic, meaning the focus of analysis is broader than just the organization as a single entity appraised against its environment or other organizations (Suddaby et al., 2017). In addition, Suddaby and colleagues (2017) argue that the process view is well suited for examining legitimacy in dynamic contexts and situations, of which mergers and acquisitions processes are good examples. The weakness of this approach is that if taken to an extreme end, legitimacy-as-process view can paradoxically overstate the agency of some actors while simultaneously deterministically ignoring the agency of others (Suddaby et al., 2017). Finally, legitimacy-as-perception view focuses on the judgements and views of organizational actors as well as groups of actors (collectives), claiming that legitimacy rests on both the individual's judgement of appropriateness, collective's judgement of validity and individual's belief in the validity of the collective and its judgement (Suddaby et al., 2017).

Of these approaches, I mainly draw from the legitimacy-as-process view because it best considers the socially constructed nature of organizational reality. It also sees legitimation as a dynamic process where social actors interact with and influence each other, together creating the sense of legitimacy/illegitimacy. However, to avoid constraining my research too much and to broaden my conceptual tool kit, I will also draw, although to a lesser extent, from the legitimacy-as-perception view. The perception view considers legitimation as a somewhat circular process that goes from perception to evaluation to action that again influences the objects being perceived. The perception view also balances the process view well by acknowledging the limits on agency set by social structures. This aligns with critical realist ontology (Fairclough, 2005) which poses that in mergers and acquisitions, discursive legitimation depends on concrete post-merger integration results (Vaara & Monin, 2010). Overall, seeing legitimacy not as an outcome or perception but as an “ongoing process of social negotiation” (Suddaby et al., 2017) allows for the examination of the actual process of legitimation instead of legitimacy per se. In practice, this means that investigating the micro level processes that legitimate or delegitimize certain actions becomes possible. In this thesis, I consider these micro-level processes as streams that combine to form individual and then collective appraisals on what is legitimate or illegitimate and more generally adopt Vaara and Monin's (2010, 6) definition of legitimation as “the creation of a sense of positive, beneficial, ethical, understandable, necessary, or otherwise acceptable action in a specific setting” (Vaara & Monin, 2010; van Dijk, 1998; van Leeuwen & Wodak, 1999).

Even though it is important to have a frame of reference and clearly defined concepts, we should not however be constrained by strict conceptual tools. As organizational studies have moved towards more linguistic centered analysis advancing our comprehension of organizational complexity (Alvesson & Kärreman, 2000), the usability of simplifications has decreased. Therefore, anchoring oneself to one perspective on legitimacy and completely ignoring the insights of other views can be detrimental which is why in this thesis I will draw from, but not restrict myself to the above definitions.

Crucial in understanding the legitimacy-as-process and legitimacy-as-perspective views is the concept of sense making, i.e. the process of giving meanings to and rationalizing past shared experiences (Weick, 1995; Weick et al., 2005). Hedström and Swedberg (1998) point to micro-level (individual) actions as instruments explaining changes in macro states, implying that the sense making process is central to understanding organizational change and therefore legitimacy. As sense making is the principal arena where “meanings materialize that inform and constrain identity and action” (Weick et al., 2005) the link to legitimation is obvious as long as we accept Berger and Luckmann’s (1966, 110) notion of it as a process that “produces new meanings that serve to integrate the meanings already attached to disparate institutional processes”.

In addition to sense making, we must acknowledge the important role of sense giving (Gioia & Chittipeddi, 1991; Vaara & Monin, 2010, Monin et al., 2013) that according to Monin and colleagues (2013) comprises of sensebreaking, sense specification and sense hiding. These combine to influence how others make sense of organizational change by creating meanings for specific audiences and can “play a crucial role in the social construction of norms of justice” (Monin et al., 2013, 259; Gioia & Chittipeddi, 1991). All in all, the dialog between sensemaking and sensegiving is an essential abstraction that can be used to explain the micro-level processes and dynamics that (de)construct legitimacy and are therefore relevant to this thesis.

#### **2.2.4 Legitimacy construction as a discursive practice**

As mentioned above, organizational studies have recently taken a turn towards a more linguistic orientation in explaining and investigating relevant phenomena (Alvesson & Kärreman, 2000). Our understanding on the discursive nature of legitimation has nonetheless

been advanced furthest by linguists (van Dijk, 1998; van Leeuwen & Wodak, 1999). Van Dijk (1998, 225) argues that legitimation is a broad and continuous communicative act intertwined with various other discourses. Furthermore, legitimation should not be seen only as defensive justification against attacks, but more as a proactive effort. In reality however, legitimation is rarely needed in “normal courses of events, in routines, and when no challenges to institutional power or authority are imminent” and only becomes prominent in a state of crises (van Dijk, 1998, 257). From an organizational perspective in general and with regards to my thesis in particular, this is an important notion as it supports the underlying assumption that “extreme situations” are well suited for the investigation of strategic change (Eisenhardt, 1989, 537; Pettigrew, 1988).

The ‘linguistic turn’ in organizational studies (e. g. Alvesson & Kärreman, 2000) means that a growing interest in the phenomena of discursive construction of legitimacy has emerged (Creed et al. 2002; Demers et al. 2003; Suddaby & Greenwood 2005; Vaara et al. 2006; Vaara & Tienari, 2008; Vaara & Monin, 2010; Joutsenvirta & Vaara, 2015). The role of impression management has been investigated (Elsbach & Sutton, 1992; Arndt & Bigelow, 2000), as well as that of manipulative narratives (Brown, 1998) and identity construction (Hardy & Phillips, 1998). More importantly for this thesis, Elsbach (1994) has examined how various tactics can be used to manage organizational legitimacy and Tienari and colleagues (2003) have demonstrated that even conflicting discourses can be used by same actors in different points in time. Vaara and colleagues (2006, 793) argue that the role of discourse in legitimacy construction is crucial as it is the vehicle which creates a “sense of acceptance” and that it is “the discourse and its characteristics that define what can be considered as legitimate/illegitimate”. It should be nevertheless noted, that legitimacy is only constructed in a sustainable manner if it has foundations in concrete results (Vaara & Monin, 2010) and if the discourse is internalized meaning in addition to sense giving, also sense making has to take place (Hardy & Phillips, 2004; Vaara & Monin, 2010). Besides offering new perspectives and insights to organizational research, discursive approaches enable us to focus more rigorously on the actual micro processes that constitute legitimation instead of legitimacy itself (Vaara & Monin, 2010), making it a fitting approach to study legitimation dynamics in general and changes in legitimation strategies in particular.

### **2.2.5 Legitimation strategies**

One of the most relevant topics within the legitimation literature regarding my thesis is the discussion around legitimation strategies. When observed from a critical perspective, it is obvious that legitimation contains struggles for power and status between social actors and is thereby innately political (Vaara & Monin, 2010; Vaara et al., 2006; Rojo & van Dijk, 1997; van Leeuwen & Wodak, 1999; Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975). It therefore follows that “more or less conscious discursive strategizing” is a crucial part of any (de)legitimation process (Vaara & Monin, 2010, 6). One of the first authors to make this strategizing explicit were Zimmerman and Zeitz (2002). They approach the issue from a legitimacy-as-property perspective and argue that ventures can gain legitimacy by conforming, selecting, manipulating or creating a fitting environment so that the surrounding societal values match with those of the organization. While being an important contribution to the literature, Zimmerman and Zeitz’s (2002) analysis does not sufficiently account for the socially constructed and constantly changing nature of the environment.

Since the early 2000s, more nuanced and discursively focused analysis have been performed furthering our understanding of legitimation. Vaara and Tienari (2002) take a critical discourse analytical approach and highlight four types of legitimation discourse: rationalistic, cultural, societal and individualistic. They conclude that rationalistic discourse, divided into competitiveness (mainstream strategy discourse) and rationalization (efficiency discourses), dominate while the other three offer more critical, alternative voices. It is also notified, that the four types blend smoothly with each other to form sets of intertwined discourses that frame the issues in various ways. Suddaby and Greenwood (2005) approach the issue from a slightly different angle focusing on the rhetoric of legitimation distinguishing five strategies: ontological, historical, teleological, cosmological, and value-based strategies (see also Erkama & Vaara, 2010). In comparison to Vaara and Tienari’s (2002) four discourse types, teleological rhetoric that focuses on purpose and meaning, dominated instead of more rationalistic arguments. Interestingly, Suddaby and Greenwood (2005) note that different strategies were disproportionally used in legitimation (teleological) vis-à-vis delegitimation (ontological and values based).

Even though innovative, these early studies do not examine the micro-level processes that as previously mentioned, are crucial in comprehending the “temporal, context-specific, ambiguous, and even contradictory” nature of legitimation (Vaara et al., 2006, 791). Vaara

and colleagues (2006, 791) argue that “subtle textual means” are central in legitimation and should be analyzed in more detail to better comprehend the rather sophisticated meaning making processes that take place in order to justify organizational action. They draw on the work of Van Leeuwen and Wodak (1999) in identifying five legitimation strategies used in industrial restructuring: normalization (“rendering something normal or natural”), authorization (reference to authority such as ‘markets’), rationalization (“reference to the utility or function of specific actions or practices”), moralization (referring to a set of values) and narrativization (telling stories to construct legitimacy) (Vaara et al., 2006, 797-804). The broad conclusions align with earlier work on legitimation strategies (Zimmerman & Zeitz, 2002; Vaara & Tienari, 2002; Suddaby & Greenwood, 2005) and advance our understanding of legitimation discourse while more recent research on legitimation strategies (Vaara & Monin, 2010; Joutsenvirta, 2013) has mostly validated these findings.

Drawing from the above research, in this thesis I consider legitimation strategies as crucial vehicles for establishing, maintaining and developing legitimacy in a socially constructed but also socially constitutive environment (Fairclough, 2005). I concur with Vaara and Monin (2010) in that even though discourse has a central role in framing and constructing legitimacy making intentional (and subconscious) legitimation strategies essential, the fact whether something is considered legitimate or illegitimate depends on concrete integration (in M&A cases) results. I also adopt the commonly accepted view that strategies for legitimation and delegitimation are not symmetrical but context dependent and “revolve around rationality, authority, and morality”, rationality being the dominant one (Vaara & Monin, 2010, 17-18; Demers et al., 2003; Suddaby & Greenwood 2005; Vaara et al. 2006).

Investigations focusing on the discursive dynamics of legitimation strategies in times of strategic change have been scarce which is why for example Vaara and colleagues (2006) have called for more research on the different types and categories of legitimation strategies. Also, due to the nature and depth of analysis needed for detailed comprehension of such dynamics, previous studies have had to focus on very specific cases which suggests that our current insights can only be considered as glimpses of a fundamental and broad phenomenon. Furthermore, it should be noted that according to Hirsch and DeSoucey (2006) restructuring discourses can change over time meaning legitimation strategies used in the past might not be relevant today. Therefore, more research on the issue of legitimation



dynamics and strategies is needed and, in this thesis, I aim to address this gap especially focusing on the changes in legitimation strategies.

### **2.2.6 Mediums for legitimation**

As concluded above, organizational legitimacy is hugely impacted by the prevailing discourses, by what is said and what goes unsaid. Mazza and Alvarez (2000) and Tienari and colleagues (2003) argue that media is the principal arena where legitimation discourse occurs while Vaara and colleagues (2006) agree stating that journalists both intentionally and unintentionally utilize discursive strategies that legitimate or delegitimize organizational actions. They also argue that the media is central in framing issues to promote certain voices while marginalizing others (see also Joutsenvirta & Vaara, 2015). In most cases, media discourses are dominated by neo-liberal and capitalistic discourses (Bourdieu 1998; Fairclough 2000; Tienari et al. 2003; Vaara et al. 2006; Vaara & Tienari, 2008) that often reproduce arguments made by key decision makers (Vaara & Tienari, 2002) and thereby risk journalists becoming mouthpieces for corporate communication departments (Vaara et al. 2006). On the other hand, Vaara and Monin (2010) have demonstrated how discursive legitimation can overstep creating too high expectations and how eventually legitimacy is not achieved if concrete results do not materialize. Van Dijk (1990) argues that the media's influence is mainly symbolic which means that the domination of discourse is not sufficient alone to gain power and influence and suggests a need for some level of concrete foundations for any discourse to become institutionalized.

Focusing on media texts as a method of analyzing micro-level processes of legitimation has both benefits and costs as well as some limitations. As media texts are often more descriptive and dramatic than company communications, they provide an interesting avenue and rich data for the investigation of legitimation. On the other hand, this richness and complexity make drawing conclusions and seeing through the drama more difficult than when analyzing corporate communications. According to Vaara and colleagues (2006) analyzing media texts is more complicated than analyzing company documents due to a higher number of moving parts such as the self-interests and motives of the media. They argue that "media texts are often characterized by ambiguity and contradiction" (p. 805), which on one hand can increase and on the other hand decrease journalists' credibility complicating the analysis. The media also oversimplifies discourses, especially cultural and individualistic ones (Vaara & Tienari, 2002). Finally, Haack (2012) argues that the sole focus on media texts and textual

data more generally limits investigations and excludes examinations of legitimacy as a perceptual component of social judgments. However, it should be noted that the ambiguous and contradictory media discourses are the primary vehicles through which most people and stakeholders of a company get their information about organizational changes. That is to say, the social negotiation and construction of legitimacy happens through the media regardless of its ambiguity and contradiction. This means that media texts should indeed be the primary subjects of investigation if we want to increase our understanding of legitimation strategies.

In this thesis I see the media as a crucial arena for legitimating organizational action (e.g. Mazza & Alvarez, 2000) and as Vaara and colleagues (2006) have called for, more research analyzing this arena should be conducted. Media texts and textual material more broadly suit well a micro-level analysis of legitimation strategies and therefore form the starting point of my analysis. I do also acknowledge the problems and limitations that arise from using “secondary data” (Suddaby et al., 2017) and have therefore extended my focus of analysis to the press and stock exchange releases as well as press conferences of the case company. This is a relatively untested approach that aims at enabling comparisons between media texts and corporate communications which helps in observing what is said and what goes unsaid in the media. Inclusion of corporate communications will also allow for the verification of statements in the media and the detection of possible ideological biases. In other words, media texts function as the primary source of data while company communications are in a supplementary role.

## **2.3 Theoretical framework**

In this section, I will conclude the literature review by developing a theoretical frame of reference and placing my study within the existing research on legitimation and mergers and acquisitions. As discussed above, in this thesis legitimation is seen as “the creation of a sense of positive, beneficial, ethical, understandable, necessary, or otherwise acceptable action in a specific setting” (Vaara & Monin, 2010, 6; van Dijk, 1998; van Leeuwen & Wodak, 1999). Furthermore, for the purposes of this thesis legitimation is best perceived as discursively constructed but also dependent on concrete integration results (Vaara & Monin, 2010).

Legitimation literature's shift from examining established legitimacy to legitimation has been extremely beneficial to our understanding of the dynamic nature of organizations and organizational action. This is especially true for the purposes of this thesis which conceptualizes legitimacy as continuous process of negotiation (Suddaby et al., 2017). The shift in legitimacy and legitimation research means that discursive practices of legitimacy construction have received increased amounts of attention greatly elaborating on the ambiguities and complexities of mergers and acquisitions. Recent research has stressed the importance of media as an arena for legitimation (e.g. Mazza & Alvarez, 2000; Tienari et al., 2003) and in this thesis, my main focus is in media accounts as they are the main the sources of information about organizational change for most people and stakeholders. However, in order to gain a more holistic view of legitimation strategies, corporate communications have also been included in the data. With regards to M&As, I draw on Graebner and colleagues (2017, 2) definition of PMI as "multifaceted, dynamic process in which the merging firms or their components are combined to form a new organization" and extend it to delineate the entire M&A process. In sum, as strategic change more broadly, and mergers and acquisitions especially, can be seen as bundles of intertwined processes with difficult to define causal relations and objective measures, the increased attention to discourse has been warmly welcomed and greatly appreciated.

Both legitimation and mergers and acquisitions have long histories in organizational research and while significant advancements have been made especially in the past thirty years, the intersection of these two streams of literature still has gaps with meaningful implications to both academics and practitioners. This thesis addresses one of these gaps and by doing so, hopefully ignites further research on the micro-level dynamics of mergers and acquisitions in general and into changes in legitimation strategies in particular.

### **3. Data and Methodology**

#### **3.1 Methodology**

To answer my research questions, I have chosen a qualitative research method. According to Ghauri and Gronhaug (2005, 202), this allows for profound probing on issues as qualitative research tends to be “exploratory and flexible” (Eriksson & Kovalainen, 2008, 4-5). In addition, a qualitative method is recommended when the amount of knowledge on the research issue is modest at best, as is the case with regards to changes of legitimation strategies in mergers and acquisitions.

Within the qualitative tradition I have chosen discourse analysis as a method of inquiry. Hall (1997, 6) describes “discourse as a cluster or formation of ideas, images and practices that provides ways of talking about a particular topic” (Eriksson & Kovalainen, 2008, 228). Discourse analysis determines how and why things are discussed and the meanings words and texts gain (Eriksson & Kovalainen, 2008, 227-9). By discussing a topic in a certain way, it is possible to create meanings for it, for example to legitimate organizational action. The reverse is also true; by ignoring certain topics, meaning creation can be intentionally avoided or a completely opposite meaning might emerge. Therefore, in most mergers and acquisitions, the objective of utilizing various legitimation strategies is to give meaning and by doing so, to justify past or future actions. According to Eriksson and Kovalainen (2008, 227-9) the main focus of discourse analysis is exactly in this process of meaning making and creation, not in linguistics or in the technical analysis of conversation, making this particular approach most suitable for my research purposes.

According to Eriksson and Kovalainen (2008, 229), in business research, discourse analysis is divided into three types: critical discourse analysis, Foucauldian and social psychological approaches. Foucauldian research is concerned with wide research inquiries and philosophical approaches (Eriksson and Kovalainen, 2008, 229-31) while social psychological approach is used to focus on individual identities and mundane daily interactions, making interviews a central piece of data (Eriksson and Kovalainen, 2008, 232-4). As my research has a narrow focus on legitimation strategies and takes an empirical

approach to investigating media texts, neither Foucauldian nor social psychological approaches are fully suitable research methods for this thesis.

Critical discourse analysis on the other hand, can according to Vaara and Tienari (2002) help in understanding the “social construction of organizations, organizing, management and managing”. Critical discourse analysis sees discourses as both “socially conditioned and socially constitutive” and is especially helpful in contributing to our understanding of organizational change (Wodak & Fairclough, 1997; Fairclough, 2005; Vaara & Tienari, 2002), of which mergers and acquisitions are the clearest of manifestations. It is also useful in questioning and assessing underlying assumptions that are prevalent in mergers and acquisitions (Vaara, 2015). Critical discourse analysis’ interest in power relations also helps in bringing forth “underlying hegemonies and ideologies” (Vaara et. al, 2006) of which roles are highlighted in times of radical organizational change. Furthermore, Fairclough (2003, 2-6) argues that critical discourse analysis is specifically suited for textual analysis of rather small data sets due to its linguistic origins. On the other hand, critical discourse analysis is heavily linguistic in orientation and requires deep expertise of that field. Due to my novice status as a researcher and to my academic background in organizational science in general and strategy in particular, critical discourse analysis as utilized by linguists is not a suitable method for my research. As in this thesis my objective is to investigate the meanings various discursive practices possess and mediate, discourse analysis in its broader, traditional definition is adopted. However, due to the nature of my research objectives and empirical material, my analysis is critical in nature and therefore inspired by critical discourse analysis.

In addition to discussing the research methods being utilized, to be able to perform rigorous research in a transparent way, it is necessary to elaborate on the philosophical starting point used to approach this topic. The two main schools of thought or perspectives for conducting a discourse analysis are: “First, there is discourse analytic research which claims that there is no other reality ‘behind’ language, i.e. there is no need to make a distinction between ‘talk’ and ‘action’. Second, there is research which assumes that there is another reality behind talk, although talk and action are interrelated.” (Eriksson and Kovalainen, 2008, 228).

It is not fruitful to make value judgements on these schools of thought, but for the purposes of this thesis it is necessary to elaborate on why I approach the issue at hand from the second perspective. In my view, business as a field of action and interaction has a very concrete

connection to the physical and social structures surrounding it, and hence cannot be seen as a completely isolated theoretical realm. It is for example often talked in objectifiable monetary terms. Even though this talk is not in many cases, as in mine, the central focus of the research and even though this particular research concerns only of people and the texts they produce, the outside reality still casts a shadow and constrains the social interaction of organizational members. Norman Fairclough (2005), one of the major influences on critical discourse analysis, holds similar views, arguing that “organizing is subject to conditions of possibility which include organizational structures” as part of a broader response to postmodernist and extreme social constructionist ontologies in organizational studies.

Words and talk play a significant role in shaping how we see and experience the physical and the social world, but they do not erase or make irrelevant the structures in which these discourses take place. This means that discourse analysis in general and critically oriented analysis in particular are relevant tools for understanding organizational change but committing to the extreme social constructionist ontology ignores the constraints posed by the structural reality of business (Fairclough, 2005). In my view, these structures limit the reasonable meanings we can give to phenomena like mergers and acquisitions. In short, my philosophical starting point is aligned to the critical realist ontology, which according to Fairclough (2005) can simultaneously acknowledge the importance of discourse as a socially constructing phenomena in organizations and the conditioning structural constraints.

### **3.2 Research context**

The research context for my thesis and discourse analysis is the M&A process concerning Konecranes and Terex Corporation (Terex). Konecranes is a Finnish manufacturing company providing industrial and port cranes, lifting equipment and related services while Terex is an American lifting and material handling equipment manufacturer. The M&A process in question started as an intended merger of equals between Konecranes and Terex but due to a multitude of reasons, eventually morphed into an acquisition of Terex’s Material Handling and Port Solutions (MHPS) unit by Konecranes. The events leading up to the acquisition are summarized below as they provide important context for the findings chapter of this thesis.

In August 2015, it was announced that Konecranes and Terex were to merge in a merger of equals. Terex being the larger corporation, was to receive around 60 % of the shares of the newly formed company, leaving around 40 % to Konecranes' shareholders. The already complex story got more complicated when a Chinese manufacturing company, Zoomlion Heavy Industry Science & Technology Co. (Zoomlion) offered to acquire Terex in January 2016. This initiated an acquisition process where Konecranes gave up on the merger and started to pursue Terex MHPS in a three-way deal that would have left Zoomlion with the rest of Terex. The Konecranes' acquisition of Terex MHPS was announced in mid-May and later that month, Zoomlion withdrew from the pursuit of Terex all together. The acquisition was valued at 1 126 million euros and was conducted against cash and shares, making Terex a 25 % B shareholder of Konecranes.

The acquisition was approved by both American and European Union regulators and concluded on paper in the beginning of 2017. Even though the post-acquisition integration process is still on going, the deal has been actively legitimated, delegitimated and relegitimated in the media since the announcement of the initial merger. Media accounts during the multifaceted M&A process are an interesting case of discursive legitimation of organizational change. As the deal changed from a merger to an acquisition in a short period of time, this process provides us with a unique case to investigate how legitimation strategies change when organizational reality changes. Discourse analysis as a research method can provide the tools and conceptual frameworks to analyze these changes in detail and to unravel underlying narratives and themes.

### **3.3 Data collection**

My data for this research consists of media texts covering the Konecranes Terex M&A process from July 2015 to December 2017. This time period covers the M&A process from the initial merger announcement to the closure of the acquisition in January 2017 and extends for 12 months from the closure in order to fully detail how organizational actions are naturalized in the public discourse. The texts in my data set were collected from four Finnish newspapers and a magazine. The papers in question are a leading business-oriented newspaper Kauppalehti (KL), a leading weekly financial and business magazine Talouselämä (TE), a leading national newspaper Helsingin Sanomat (HS), a leading tabloid

Ilta-Sanomat (IS) and Aamuposti (AP), a local newspaper from Konecranes' home town Hyvinkää. Collecting media texts from various sources with focuses ranging from local to national and from general news coverage to in depth business analysis allowed for the emergence of a wide variety of perspectives and differing views on the M&A process. Moreover, collecting data from a relatively long, 30-month period of time, allowed me to investigate potential changes in discursive legitimation practices longitudinally.

In total, there were 201 articles in my data set and these are categorized chronologically in table 1. The data set is adequately sized to give a wide but detailed picture of the media discourse surrounding the M&A process while still small enough for comprehensive reading of the texts which is crucial for critically oriented discourse analysis (Fairclough, 2003). The media accounts include news articles, comments, columns, editorials, stock exchange analysis and in-depth reports, providing encompassing insights on discursive practices of legitimation.

**Table 1: Articles in data set**

<b>Articles in data set</b>						
	<b>IS</b>	<b>HS</b>	<b>KL</b>	<b>TE</b>	<b>AP</b>	<b>Total</b>
Prior merger announcement	-	2	1	-	-	3
Merger announcement	9	3	8	6	1	27
Legitimation, delegitimation and relegitimation of the merger	11	1	6	4	3	25
Competing offer complicates the dynamic	20	6	10	9	2	47
Increased Zoomlion offer	8	3	8	2	2	23
Acquisition announcement	11	4	13	2	2	32
Naturalizing the acquisition	8	3	15	7	11	44
<b>Total</b>	<b>67</b>	<b>22</b>	<b>61</b>	<b>30</b>	<b>21</b>	<b>201</b>

Supplementary data for my research consists of official company press and stock exchange releases found from the company website as well as annual and quarterly reports for the 30-month period. According to Vaara (2015) official strategy documents are “crystallizations of strategic thought and often play a crucial role as ‘official’ strategies legitimating or delegitimizing specific actions”, hence their inclusion to this study. Furthermore, two press conferences, the first concerning the initial merger announcement and the second discussing the acquisition were also valuable additional sources of information when analyzing media accounts reporting on the M&A process. In general, corporate communications are often repeated in the media and should therefore be seen as central legitimation tools for



management. The repetition reproduces arguments made by key decision makers and influences the process of legitimation (Vaara & Tienari, 2002), which means that in order to understand the micro-processes of legitimation in the media, it is essential to have knowledge of the underlying corporate communications. Comparing corporate communications and media accounts is also useful in uncovering what is left unsaid in the media, which according to Vaara and colleagues (2006) can be as important as what is said in establishing legitimacy.

All of the data utilized in this study are available online and were accessed during the spring of 2019. Because of the origin of the data set, it is reflective of the ideologies and values held in the media producing that data. This is an important aspect to understand but as the media is the principal discursive arena for legitimation (Mazza & Alvarez, 2000; Tienari et al., 2003), this data set with all of its biases and ideological burdens, in fact correctly reflects the overall discourse and therefore discursive legitimation. It should also be noted that some of these ideological biases as well as legitimation strategies are produced and utilized unintentionally (Vaara et al., 2006). The purpose of discursive analysis here is to inspect what is below the surface and to see through the rhetoric to the motivations, meanings, contexts and social relations that underlie the processes of legitimation, delegitimation and re-legitimation of mergers and acquisitions. In short, the objective is to de-construct the social constructions that legitimation strategies essentially are.

### **3.4 Analysis**

As my research method was inspired by critical discourse analysis, my analysis followed Vaara's (2015) suggestion of proceeding in stages. The stages recommended are: (1) "the definition of research questions that reflect critical orientation", (2) overall reading of the textual data and the selection of the texts for closer, critical analysis, (3) close examination of the chosen texts and finally, (4) elaboration on findings and consideration of generalizations. Despite of the apparent sequential nature of the process, Vaara (2015) suggests that an abductive approach, meaning "constant refinement" of emerging theoretical insights with empirical results should be performed.

In my analysis, Vaara's (2015) model functioned as a guidance and a framework, but did not constrain the analysis in any significant way. Due to the nature of my research, stages two and three were in fact in sequence only on the micro level. On the macro level, my analysis shuffled multiple times between overall reading of texts and closer examination of certain articles. This was necessary as the number of articles was relatively large and the time period under investigation long and characterized by various unexpected events influencing the discourse. In essence, this meant that some small, chronologically and thematically categorized sets of texts were analyzed closely before overall reading of later texts ensued.

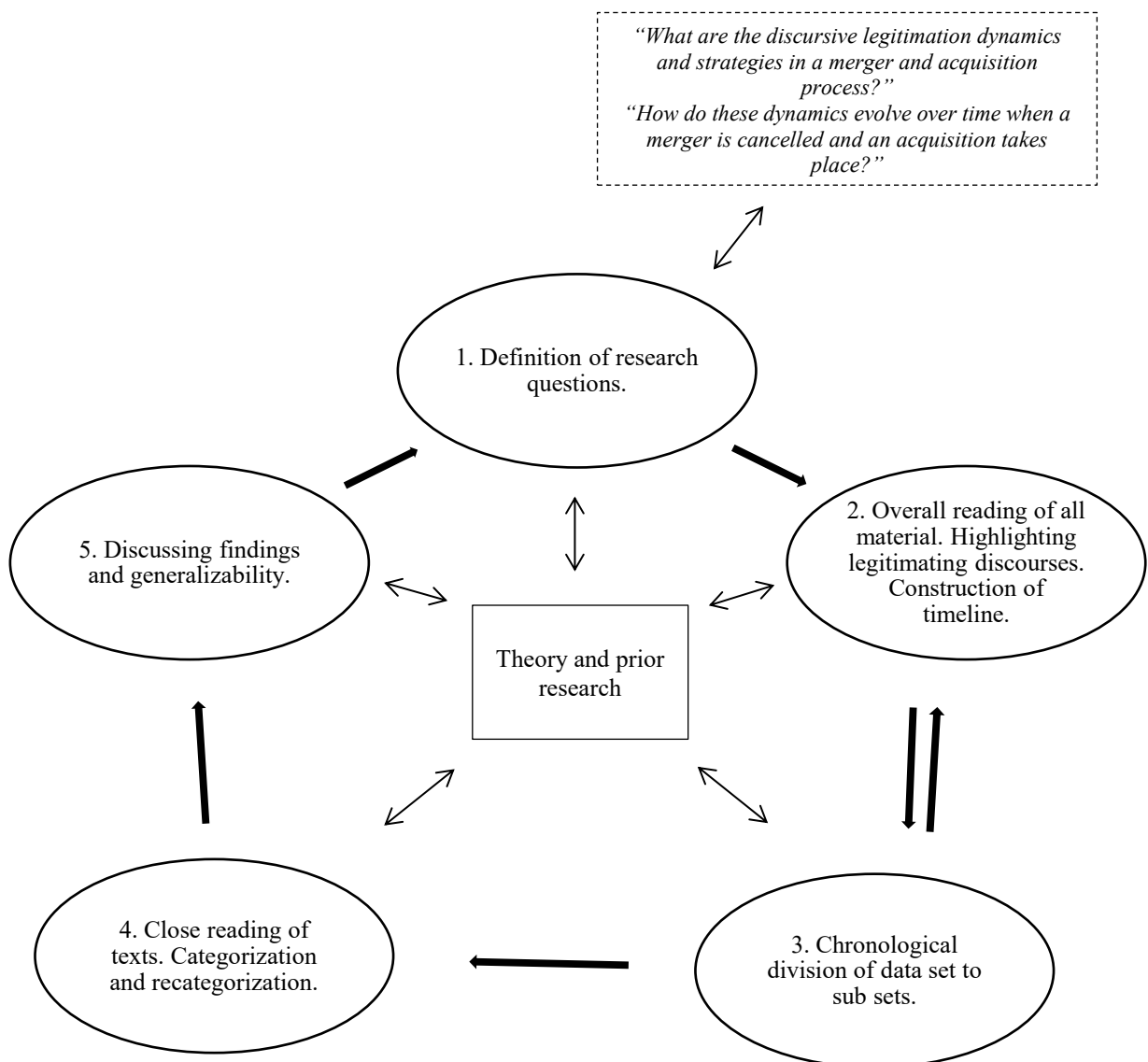
I began my analysis by considering my research questions "What are the discursive legitimization dynamics and strategies in a merger and acquisition process?" and "How do these dynamics evolve over time when a merger is cancelled and an acquisition takes place?" and looking at the data then in mind. From this point onwards, my analysis can be divided into four overlapping phases that broadly correspond with Vaara's (2015) framework. These phases are presented in figure 1 and discussed next.

First, an overall reading of all material, including supplementary data was conducted. I used this phase to highlight legitimating discourses in the media texts without categorizing them further. Moreover, during this stage a timeline of events and major communications was constructed. This timeline is presented in figure 2 in the findings chapter of this thesis. The second phase was the chronological division of the 30-month period into shorter, more easily comprehensible periods. This was done based on events and organizational actions that notably changed the legitimization discourse.

The third phase was the closer reading of the texts contributing to the legitimating discourse and thematic categorization and analysis in order to identify various legitimization strategies. This identification and categorization drew heavily from Vaara and colleagues' (2006) work on legitimization strategies and utilized their conceptualizations of normalization, authorization, rationalization, moralization and narrativization. This phase was characterized by constant dialogue between empirics and theory, refining my theoretical understanding of mergers and acquisitions while simultaneously increasing my comprehension of the empirical material being analyzed. At times, when the close reading of texts so required, a

return back to phase two was made and the chronological division of the data set into sub sets was revised based on new understandings.

The final phase of the analysis consisted of discussing findings. The discursive legitimation strategies identified were described in detail and the dynamic nature of these strategies elaborated on. Moreover, several implications about legitimation strategies, their evolution over time and relationship with organizational reality were presented and meanings discussed. Finally, the (de)legitimizing impact of these implications was considered with the purpose of illustrating the role of legitimation strategies as important vehicles in determining how organizational actions and strategic changes are perceived in the media.



**Figure 1: Steps of analysis**

### 3.5 Considerations

There are some limitations and ethical considerations with regards to my data, its collection and analysis. My research concerns a mergers and acquisitions process and centers on one company, Konecranes and its acquisition of Terex MHPS. Konecranes was chosen as the case company because of the interesting nature of the M&A process that it was involved in 2015-2017. This process was a rare case of an agreed upon merger being cancelled and an acquisition taking place, lending itself well for an investigation on changes in legitimation strategies. Centering on a single company and a rather extraordinary M&A process however limits the generalizability of the research results meaning further research should be conducted before drawing exact theoretical conclusions.

In addition to noting the unique nature of the Konecranes Terex M&A process, context dependency of mergers and acquisitions in general should be considered. That is to say, specific legitimation strategies and dynamics identified in this research are not exhaustive and might not as such be present in discursive legitimation of M&As in other industries, cultures, languages or even media texts. Furthermore, even though the data reflects well on the issue at hand, the narrowness of approach inevitably ignores some important and interesting aspects of legitimation discourse. However, as many of the conclusions drawn in this research confirm and extend on previous research on legitimation strategies, some broader and more abstract generalizations are possible. The goal of this study has been to elaborate on the existence of various legitimation strategies, on their dynamic, micro-processual nature and on the contexts and situations where these strategies are utilized. This increased understanding should be considered as generalizable and applicable, on the abstract level, to other M&A cases as well.

The data set for this investigation consisted of media texts gathered from four Finnish newspapers and a magazine during a 30-month period from July 2015 to December 2017. This means that the media accounts are inevitably centered on Konecranes and look at issues from its perspective. Moreover, as the outlets are all from Finland, their worldviews are influenced by the Finnish culture and history, limiting many of my findings to the Finnish context. In collecting data for this research, no interviews were conducted nor were any other human interaction-based data, such as observations, collected. This means that typical concerns about leading interviews, biased observations or other unethical methods of data

collection are irrelevant. The risks in causing any kind of harm by publishing the study are also minor as all of the data utilized in this research were gathered from publicly available sources. Of course, as qualitative research and discourse analysis are by nature interpretive and subjective, my own world views, values and beliefs have inevitably affected my interpretations of texts and implications drawn from them. This is why I have tried to as explicitly as possible to bring forth my logic of analysis, of arguments and of reporting the analysis (Eriksson & Kovalainen, 2008, 72). A second major consideration concerning data analysis is the fact that the source material for the research was in Finnish while the findings are communicated in English. This means that my translations of the data might have at times had an impact on the meanings produced and conveyed.

It must also be stated, that as my research method was heavily influenced by critical discourse analysis, which by definition is critical, some of the interpretations might have put the company and/or some of the stakeholders in uncomfortable positions. In order to avoid misrepresentations and the attribution of false motives, interpretations have been made with utmost care while extensive quotations and elaborations on them are provided in support of any assertions made. Finally, it should be noted that I do not have any connection to the company.

In conclusion, by being open, organized and consistent about the data collection, analysis, ontologies and epistemologies, as well as communication of findings, this study aims for “fruitfulness, quality of interpretation, quality of transcription, and usefulness” that are the standards for rigorous qualitative research (Eriksson & Kovalainen, 2008, 241). The objective is to provide poignant critique of organizational change but also offer valuable insights into mergers and acquisitions through the legitimation perspective and therefore lay grounds for future research as well as influence practitioners.

## **4. Findings**

In this section of the thesis, I will present the findings of my research. The period under investigation lasted approximately 30 months from July 2015 to December 2017. Several key events that chronologically and to an extent, thematically divide the period can be identified. These events are the announcement of the Konecranes Terex merger in August 2015, publishing of a competing acquisition offer for Terex by Zoomlion in January 2016, increasing that offer in March 2016, announcement of Konecranes' acquisition of Terex MHPS in mid-May 2016, Zoomlion terminating its negotiations with Terex twelve days later and the closing of the MHPS acquisition in January 2017. Various discursive legitimation, delegitimation and relegitimation strategies were utilized during the 30-month period. To illustrate these dynamics and changes in them, the findings are presented thematically. Each thematic categorization of a strategy is further divided to chronological sub-sections to highlight changes to that strategy over time. As the main objective of this research was to identify specific legitimation dynamics and changes in them, distinct features of each chronological period's dynamics are highlighted while similarities between periods are given less attention to avoid repetition. A timeline of the events and major communications is presented in figure 2 below.

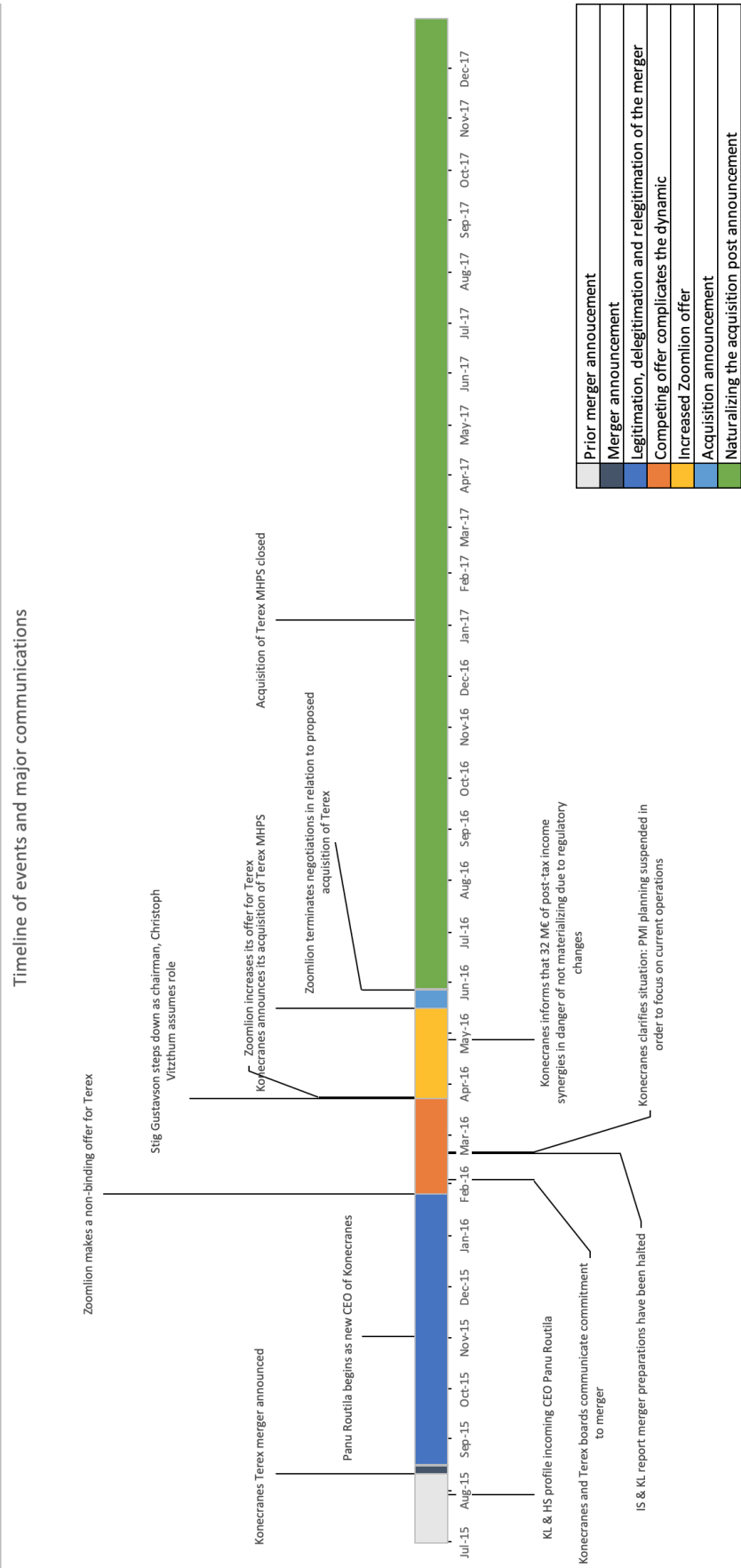


Figure 2: Timeline of events and communications

## 4.1 Rationalization

Rationalization as a (de)legitimation strategy was a continuous presence in my data set and had a significant role in forming perceptions during the M&A process. Oftentimes it was the dominant and default strategy utilized. Although many of the themes and rationalities remained the rather similar during the 30 months, some variation of rationalization, in referred themes as well as in utilization, could be identified. These themes, notable dynamics and illustrative quotes are summarized in table 2 below.

**Table 2: Rationalization, notable dynamics**

Period	Notable dynamics	Illustrative quotes
Prior merger announcement	Minor strategy Value creation a dominant theme Proactive and indirect Intertwined with normalization and authorization	<i>“Eight years ago, the company’s (Ahlström Capital, Mr. Routila’s previous employer) <b>value</b> was slightly over 200 million and it had five million in cash for acquisitions. Now the <b>net value is 700 million</b>”, Routila calculates. In other words, <b>he created half a billion dollars in value for his employer.</b> HS 30.7</i>
Merger announcement	Dominant and default strategy Recurring themes: synergies, value creation, profits, benefits, competitiveness Intertwined with normalization, authorization and moralization Direct rationalization of merger and delegitimation of opposition Repeating corporate communications Mainly proactive	<i>“As operations focus on lifting services and material handling, Konecranes Terex is <b>positioned excellently</b> in order to <b>continue increasing revenues and profits</b> by leveraging several <b>strategic advantages</b>, such as significant cross selling opportunities.” KL 11.8.2015 Despite of proportions, the merger is a true <b>win-win for the owners</b>. The new company will be a significant <b>global player</b> in industrial lifting, material handling and service solutions. When the <b>synergies</b> are realized, the <b>profit generating ability</b> of the new company rises to a new level that will positively influence <b>shareholder value</b>. KL 11.8.2015</i>
Legitimation, delegitimation and relegitimation of the merger	Major strategy Referrals to similar rationales as in previous period New recurring themes were competitive advantage, growth and internationalization Used to counter more critical societal discourses Reactive and proactive Intertwined with narrativization and authorization	<i>Now he has a global listed company in his hands. Over twenty years in manufacturing and abroad together with eight years in an investment company equals an excellent combination to lead Konecranes, Routila says himself. One good reason for appointing Routila was <b>his experience of mergers and acquisitions</b>. He has been involved in about 150 M&amp;As, and this experience will be useful at Konecranes which is merging with American Terex. AP 5.12.2015 Konecranes’ chairman Stig Gustavson characterizes the planned Konecranes Terex merger’s financial objectives as conservative in his interview with Bloomberg on Friday... “It is an extremely serious thing to announce such objectives and one must be truly certain that they can be achieved. This is why it is sensible to be conservative.” Gustavson said in the interview. According to the announcement, the new company is expected to achieve over <b>110 million in yearly synergies</b> before taxes. “<b>Our analysis of the announced synergies is on very steady ground</b>. So, there is even more to be gained from this (the merger). We have been very careful”, Gustavson continues. KL 11.9.2015 In any case, Routila conveys an excited and positive attitude towards both his job and the merger. He thinks that the merger must be seen as an opportunity: the <b>company will continue its growth and internationalization</b> and if executed well, the merger opens up more possibilities for Finnish subcontractors as well. AP 5.12.2015 A quite a whirl can be expected in the global industrial crane market. Competing crane companies are of course waiting for Konecranes Terex’s streamlining operations. Both companies have</i>



		<p>plenty of factories and administrative functions. The merged company has not yet further specified where the synergy benefits will come from. KL 19.1.2016</p> <p>In addition, Chinese engineering giant Sany, which does not publish its numbers, has rushed the cranes business. It sells big sets cheaply, which decreases competitors' profitability. KL 19.1.2016</p>
A competing offer complicates the dynamic	<p>Major strategy</p> <p>Recurring themes were efficiency, comparison of offers and financial outcomes</p> <p>Delegitimizing competing offer to legitimate initial merger</p> <p>At first reactive, turns more proactive to legitimate possible failure of merger</p> <p>Intertwined with normalization, authorization and moralization</p>	<p>The merger has been intended to be executed via share exchange, where Terex owners get 0,80 Konecranes shares for each Terex share. This is the <b>reason why it has not been easy to compare the offers</b>, because the value of the offer depends on share price fluctuations. TE 26.1.2016</p> <p>He (Gustavson) states having investigated the backgrounds of the Chinese company on Tuesday and noticed that the company <b>does not seem to be in financially good shape</b>. "If I know how to read balance sheets, the Chinese company cannot finance the Terex acquisition with its own assets. This is about a <b>billion euro deal</b> and then there is the question of <b>where and on what terms do they get financing</b>. And if they get it cheaply from the Chinese state, then that will not be accepted in the US", Gustavson ponders. KL 26.1.2016</p> <p>According to Konecranes' release, the merger and <b>cost savings planning has begun in good cooperation</b>. IS 3.2.2016</p> <p>"The planned measures are <b>necessary and independent</b> of the announced merger with Terex. Executing these measures will <b>strengthen the foundations of our business</b> in the coming years", Konecranes CEO Panu Routila says in a release. IS 3.2.2016</p> <p>Terex acquired port and industrial cranes by purchasing German Demag about five years ago. According to market estimates, Konecranes was after Demag as well. If Terex is carved to pieces following the Chinese purchase, <b>it is possible that a new opportunity (for Konecranes) to buy Demag crane factories and service contracts arises</b>. KL 18.2.2016</p> <p>Konecranes' and Terex's merger agreement is however <b>exceptionally complex</b> which is why it is <b>almost impossible to compare</b> it with Zoomlion's cash offer. HS 26.2.2016</p> <p>According to Konecranes, by merging the companies could operate <b>more efficiently</b>. <b>Shareholders</b> would also get <b>considerable profits</b> when the market turns up once again. IS 15.3.2016</p>
An increased Zoomlion offer	<p>Major strategy</p> <p>Often simultaneous legitimization of one deal and delegitimation of the other</p> <p>Recurring themes in reactive legitimization were benefits, utility and outcomes</p> <p>Recurring themes in proactive legitimization of failure were speculation on divestments and reimbursements</p> <p>Intertwined with authorization and normalization</p>	<p>Crane company Konecranes tells in a release that it "continues to believe that the merger of equals with Terex <b>represents a highly compelling opportunity for both companies and their shareholders</b>." TE 24.3.2016</p> <p>If the Konecranes Terex merger is cancelled, <b>Konecranes will receive 20-37 million in reimbursements</b>. It will cover the costs of the agreement according to Gustavson. KL 24.3.2016</p> <p>If the Chinese were to sell port and industrial cranes, <b>Konecranes' merger project would be a success</b>. It is unlikely, that the new Konecranes Terex would have kept for example crushers or heavy auto cranes in its <b>portfolio</b>. KL 31.3.2016</p>
Acquisition announcement	<p>Major strategy</p> <p>Recurring themes included synergies, improved global position, value creation, growth and strategic fit</p> <p>Intertwined with authorization and moralization</p> <p>Utilized to attribute blame to Terex and Zoomlion for the merger failure</p> <p>Context key in explaining lack of critique for the acquisition</p>	<p>According to the company, the objective is to gain <b>yearly synergies of 140 million at EBIT level</b> and that these will be implemented within three years. KL 16.5.2016</p> <p>Crane manufacturer Konecranes told on Monday, that it would acquire Terex's Material Handling and Port Solutions units... These are the <b>segments with the best fit with Konecranes</b>. TE 16.5.2016</p> <p>"This acquisition will prove crucial to <b>improving our position as a global partner</b> in services, industrial lifting and port solutions, and at the same time <b>create significant value for our owners</b>", CEO Panu Routila says in a release." TE 16.5.2016</p> <p>Konecranes estimates the deal to be <b>EPS accreditive since inception</b>. IS 16.5.2016</p>

		<p>Konecranes management trusts the <b>growth potential</b> of the acquisition announced today. <b>Targeted synergies are even bigger than in the full Konecranes Terex merger.</b> IS 16.5.2016</p> <p>“There are a number of key points that define the rationale of this deal”, Konecranes CEO Panu Routila says. “This acquisition will <b>enhance our position as a focused and global leader</b> in service and equipment in industrial lifting and port solutions.” MHPS equipment <b>complement Konecranes product portfolio</b> and the deal <b>expands Konecranes’ international presence</b> significantly, Routila estimates. There will also be <b>scale benefits</b> from technology development and from manufacturing operations, and of central importance, according to Routila, is that Konecranes will get additional installed based for cranes. AP 27.5.2016</p>
Naturalizing the acquisition post announcement	<p>Major strategy</p> <p>Recurring themes include competitiveness, growth, profit, efficiency and synergies</p> <p>Stressing the progress of the acquisition crucial</p> <p>Repeating corporate communications</p> <p>Intertwined with all other strategies</p>	<p>In the quarterly report, Routila praises the confirmed deal where Konecranes acquires American Terex’s lifting business. Routila considers the deal as a milestone. “This acquisition will prove crucial to improving our <b>position as a global partner</b> in services, industrial lifting and port solutions.” IS 22.7.2016</p> <p>Konecranes CEO Panu Routila estimates <b>revenue growth to be brisk due to the Terex deal</b>... News agency Bloomberg reports that according to Routila, Konecranes will in the coming years focus on <b>lowering its costs</b>. According to Routila, the company can reach <b>ten percent margins</b> after the Terex acquisition. “Positive developments in Europe continue”, estimates Routila. KL 21.9.2016</p> <p>“A focused <b>global leader</b> in industrial lifting and port solutions created”, the company praises in its release. Purchasing the Material Handling and Port Solutions (MHPS) business will according to Konecranes’ estimates bring <b>synergy benefits of 140 million</b> within three years. Of those, <b>35 million are targeted during this year</b>. KL 5.1.2017</p> <p>Konecranes is expected to <b>improve its profit generation</b> in the future when the integration of Terex MHPS is concluded. KL 31.7.2017</p>

#### 4.1.1 Prior merger announcement

Rationalization’s role prior the merger announcement was minor and focused on the career history of the new CEO Panu Routila. In reviewing his accomplishments, themes such as value creation were raised in order to justify his hiring and to demonstrate rational decision-making. These justifications functioned also as indirect and proactive legitimization efforts for future actions. By referring to rationalizations such as monetary gains, and combining these with a personal history of M&As, a sense of rationality was created giving the new management legitimacy to conduct mergers and acquisitions in the future. During this period, rationalization was intertwined with normalization and authorization, while narrativization provided an overall frame for these strategies to function.

#### 4.1.2 Merger announcement

As is typical for media texts in the business press, the initial coverage of the merger was dominated by rationalistic discourse and within this discourse, rationalization was the default legitimization strategy. Rationalization efforts focused on repeating corporate

communications and calculations and referring to utility, outcomes and financial benefits of the merger. Below quote is representative of such efforts.

*The merger is described as creating a company that is the **global leader** in industrial lifting, port solutions, cranes and material processing. As a **benefit of the merger** Terex also mentions “excellent opportunity to **create additional value with synergies**”. – TE 11.8.2015*

There are two conclusions to be drawn from above quote in particular and about rationalization during this period in general. First, the ‘global leader’ rhetoric is from the company press conference and corporate releases, and demonstrates along with direct quotations from Terex, how the media simply repeated corporate communications and therefore reproduced arguments by key decision makers. Second, the term ‘global leader’ refers to an explicitly positive thing of increased competitiveness in the market while the stressing of synergy benefits and value creation are good examples of strategy discourse that is used to justify management actions.

Within the discourse, benefits for shareholders were objectified and factualized by giving explicit numbers and making financial calculations even with rough estimations. For example, IS reports:

*The target **synergies** are large if realized. The **combined profit** of the two companies is expected to be about 520 million euros based on consensus estimates. If even half of the synergies are realized, profits of the merged company would **increase by ten percent**. – IS 11.8.2015*

The above quote illustrates rationalization as legitimation strategy well. On one hand, arguments are logically based on quantified data and calculations demonstrating that rational and monetarily beneficial decisions are made. On the other hand, these calculations are based on rough estimates and assumptions with the goal of somehow quantifying a difficult and abstract issue. It should be noted that there were no considerations of qualitative aspects, such as post-merger integration, that have huge influence on synergy realization and overall success of mergers and acquisitions.

Rationalization was also utilized to address possible reductions in personnel. In addition to directly rationalizing layoffs as unfortunate but necessary, another, related strategy aiming to legitimate the merger and related layoffs was to delegitimize concerns about those layoffs.

This was an indirect legitimization effort that via rationalization tried to delegitimize negative aspects of the merger resulting in the deal being perceived in a more beneficial light. These types of indirect efforts were a mixture of proactive and reactive strategies. The following quote is from an IS article discussing employment concerns and represents such legitimization efforts.

*Terex chairman and CEO Ron DeFeo estimates personnel changes to be “**balanced**” and main focus to be on “**building the new company**”. The new company is expected to achieve **over 110 million in yearly synergies** before taxes. These would generate **a profit improvement of 109 million**, of which 30 percent would come from procurement, 20 percent from operational efficiency, another 20 percent from enhanced sales and administration and 30 percent from finance and structural optimization. – IS 11.8.2015*

The above reflects well on the management’s efforts to move attention away from the layoffs that were clearly negative and possible tools for delegitimation of the merger. This was done by describing the negative event (layoffs) with a word possessing positive connotations (balanced) and moving the discussion to a positive and abstract issue like “building the new company”. Such a phrase is a manifestation of mainstream strategy rhetoric and in its vagueness can mean different things to different people. Within neo-liberal discourse, this type of rhetoric does however possess mainly positive meanings resulting in all likelihood the merger being perceived more positively than it was prior to those comments.

#### **4.1.3 Legitimation, delegitimation and relegitimation of the merger**

During the five-month period from the merger announcement to the publishing of a competing offer in January 2017, similar rationalities were referred to as in the previous period. As can be seen from table 2, synergy benefits and value creation opportunities were once again stressed in a rationalistic manner. The monetary benefits of the merger were repeated in an unquestionable way making them seem straightforward, inevitable and overall positive outcomes of the deal. In addition to media willingly upholding pro-merger rationalistic discourse, these legitimization efforts were actively fueled by the company.

In addition to referring to similar rationales as in previous periods, rationalization efforts at this time also referred to growth, internationalization and competition. Of these, especially improved competitive position was seen as a crucial rationale for the merger. As can be seen from below quote and from table 2, these novel rationalization efforts often happened through discussing the role and views of Konecranes CEO Panu Routila. The below quote

also represents a typical dynamic of intertwined use of authorization, narrativization and rationalization during this period. In this dynamic, the overall frame was provided by histories and personal journeys (narrativization) of Mr. Routila while the company personnel were referred to as an authority.

*Routila sees **growth potential** especially in Terex's service business. 43 percent of Konecranes' revenues come from services while at Terex the percentage is about 16. 'If we can lift their service intensity even close to ours, we can **create insane value** for this company'. – IS 27.11.2015*

As indicated above, this period was characterized by interviews with Mr. Routila and these are a good example of how management was given time and space in the media to legitimate and relegitimate its actions. One could argue that relegitimation was necessary due to the emergence of conflicting voices. In the Konecranes Terex merger, at least two ways in how the space was utilized can be identified. A portion of it was used to reactively address concerns that had emerged since the announcement (relegitimation) while the rest of it was used to proactively legitimate future management actions. Illustrative of these proactive efforts is the below quote, that in my view demonstrates how societal discourse was turned into a rationalistic one and how within this discourse, rationalization was then used as legitimation strategy. To be more specific, first, an obviously negative societal aspect, the potential shutting down of factories was alleviated by stating that there was indeed a possibility (not certainty) that factories would remain operational. Then, the discourse was shifted from societal to rationalistic one by discussing competition and how mergers in general affect it. It is then implied that this competition is a reason why factories might remain open after all. Finally, the quote could further be interpreted to imply that Konecranes will be better equipped for the competition because of the merger.

*"In a successful merger, factories **need not necessarily be shut down**. In merger situations, **aggressive actions should be taken in the market**. If a company focuses on **fixing its own operations**, **competitors will immediately snap up market shares**." (Panu Routila) – TE 27.11.2015*

#### **4.1.4 A competing offer complicates the dynamic**

During the two months following the competing offer becoming public, rationalization remained as an important strategy for legitimation of the initial merger. Notably it functioned together with authorization, moralization and normalization, of which the last one became a

central strategy in maintaining previously established legitimacy of the merger and relegitimizing it during the first month following the Zoomlion offer. Rationalization's significance as a legitimation strategy in turn, was especially prevalent during the second month after the announcement. In legitimation of the merger, a novel feature of rationalization compared to previous periods was its dual role as a dynamic micro-process, simultaneously delegitimizing the Zoomlion offer and relegitimizing the initial merger. This meant that previous rationalizations, the stressing of synergies and value creation, received very little attention.

*"This is a **large and difficult deal** because of so **many parties involved**" (Stig Gustavson) – KL 26.1.2016*

*"Our deal is **certain and it is progressing**". Gustavson expects Terex to keep Konecranes up to date with regards to negotiations with Zoomlion. Gustavson himself **doubts whether Zoomlion will succeed**. According to his information, the company is pretty much dependent on the Chinese state for financing and in "**eminently bad shape**" – AP 28.1.2016*

As can be seen from above, the micro-processes of delegitimation (of the new offer) and legitimation (of the initial merger) occurred by explicitly highlighting Zoomlion's poor financial health and speculating with the question of how the newly proposed deal would be financed, linking it to politics. This strategy was especially actively used by Konecranes. Furthermore, the non-binding nature and questionable backgrounds of the Chinese company were used to argue that the competing offer was vague and only complicated things, while simultaneously highlighting the utility of the initial deal. This is interesting as in fact, the proposed Zoomlion offer was a rather simple cash transaction while the Konecranes deal was a more complicated share exchange implying a only a loose connection between legitimating discourse and the reality outside of that discourse.

*The merged company (Konecranes Terex) is expected to **significantly improve its profitability**. This is based on expected **market growth**, already on-going **operational efficiency measures** and **synergies**. According to Konecranes, the merged company will have **strong capital structure** and an **ability to produce strong cash flows** and to **create value** for shareholders through **dividends and stock buybacks**. – IS 3.2.2016*

On the surface, the stressing of the benefits and value of the merger was very much reminiscent of the initial rationalizations upon announcement and during the following five-month period. However, when looked at more closely, it is evident that somewhat different

rationalizations were utilized than previously. First, by emphasizing “already on-going operational efficiency measures” Konecranes demonstrated capability to execute organizational changes, of which mergers are a prime example of. This capability is not self-evident, especially among bureaucratic corporate giants like Zoomlion. Interestingly, in another context on the same day, the cost efficiency measures were actively de-coupled from the merger. This was done to proactively separate societally negative news, cost savings, from the merger process as the former is often one of the key arguments used to criticize the latter. This implies that same factual material can be utilized in various ways and even in contradictory fashion in different contexts although it is also possible that one or both strategies were unintentional and coincidental. Second, stressing “strong capital structure” of the proposed Konecranes Terex while being aware of Zoomlion’s questionable financing, had a clear effect of accentuating Konecranes’ healthy financial state making it a tempting merger partner for Terex, whose financial performance had lately deteriorated. In sum, during this stage, rationalization as a legitimation strategy focused on highlighting the weaknesses of the competing offer and contrasting those with Konecranes’ strengths.

Towards the midpoint of the two-month period discussed here, the discourse started to shift in a direction portraying the merger not as a sure deal but rather framing the situation like an even competition between Zoomlion and Konecranes. The below quote is from an interview with Dong Yi, a Zoomlion executive and demonstrates how the media in Finland became more interested in and serious about Zoomlion, implying that there was a real possibility of Konecranes losing out in a bidding war. As is evident in the quote, rationalization was utilized to legitimate the Zoomlion offer by stressing strategic operations, growth and competition. However, rationalizations of Zoomlion’s offer quickly turned into proactive rationalizations of Konecranes’ potential failure and how this could in the end benefit, not harm, the Finnish company.

*“Terex acquisition can be considered as **strategically significant** operation for our business’ **global expansion**. It will help against the slowing down of China,” Dong Yi continues. According to Dong Yi, with its Western acquisitions, Zoomlion intends to become a **top three or top five** engineering workshop in the world with Caterpillar and John Deere. Terex would **bring enough revenues and factories in Europe and America**. – KL 23.2.2016*

The proactive legitimation of possible failure of the Konecranes Terex merger begun by portraying the no deal possibility not as a loss but a draw, or even a victory. For example,

Konecranes detailing a reimbursement plan implied that it had an ‘insurance’ for possible failure, meaning it could not lose in the process financially. Furthermore, responsibility for the possible failure of the merger was shifted to Terex in an explicit manner while simultaneously highlighting how Konecranes was doing everything it could to close the deal. This was done by pointing to Terex as the culprit for halting the post-merger integration negotiations. Finally, speculation on potential advantages of Zoomlion purchasing Terex, such as divestments and how Konecranes could benefit from those, started to emerge as well, justifying Konecranes’ possible failure to close the deal. These speculations also discussed Terex’s poor financial state and messy corporate structure and by doing so explicitly argued that the merger would not be in the best interests of Konecranes. Such rationalizations can be seen as delegitimizing the merger, and to an extent they did, but when examined in their context and in the light of the overall discourse, it seems that rationalization was utilized as proactive strategy of possible failure to close the deal. It is a reasonable interpretation, because rationalization was not used similarly in previous phases of the process and only started to be utilized in such a manner when the merger begun to look more unlikely. The below quotes are representative of above described dynamics.

*“This is now **up to Terex**”, Gustavson said. – TE 19.2.2016*

*Gustavson tells that Konecranes is **entitled to reimbursements if Terex backs away from the merger**. “**Time and money spent will be compensated**”, he says. – HS 19.2.2016*

*Potential **disadvantages are just much easier to specify than potential advantages**. Terex, a company that has been tacked together with acquisitions, **is in poor profit-making form** and it seems like the form is getting worse. The company’s revenue and EBITDA dropped 15 percent last fiscal year and according to projections gathered by news agency Factset the decline will continue. Terex’s earnings per share is expected to decrease up to 23 percent this year. **If a conglomerate is merged with a more focused and clearly better managed Konecranes, the end result may not be bigger and more profitable company**. Konecranes Terex would probably restructure itself for years in poor macro-economic conditions and the **synergy benefits would disappear somewhere**. The **best result** would be Handelsbanken’s scenario where **Zoomlion would finance its Terex acquisition by selling cranes to the Finnish company**. – TE 4.3.2016*

#### **4.1.5 An increased Zoomlion offer**

After the announcement of the increased offer, rationalization as a legitimization strategy consisted of similar dynamics as during previous stages of this M&A process. It functioned in two main ways. First, it was proactively utilized in order to legitimate the possible scenario



that Konecranes would lose to Zoomlion in the competition for Terex. These legitimization efforts again focused on speculating with potential divestments that Zoomlion would make and how Konecranes could benefit from those. Another way of proactively rationalizing the failure to acquire Terex was the detailing and reminding of stakeholders about the reimbursements that Terex would have to pay if it were to cancel the agreement. Overall, proactive rationalization was a continuation of similar dynamics from the previous phase of this process.

The second way rationalization was utilized was in tandem with normalization. This happened by restating both companies' commitment to the merger and describing the "tempting opportunity" that the initial merger presented. This strategy was characterized by typical features of rationalization as it referred to benefits, utility and outcomes of the merger while simultaneously using normalizing language, such as "continues to believe" to maintain and to re-establish the normalcy of the merger. While the first way of utilizing rationalization was purely proactive aimed at legitimating future events and emerged as a strategy only after the first Zoomlion offer, the second way was a reactive strategy repeatedly used during the entire M&A process.

#### **4.1.6 Acquisition announcement**

During the twelve-day period following the acquisition announcement, rationalizations referred to financial benefits and outcomes of the newly published deal as sources for legitimacy. Discussing economies of scale, synergies, Konecranes' global position, competitiveness and value to customers and shareholders was reminiscent of earlier rationalizations during the M&A process, even though the actions being legitimated had changed. As these legitimization efforts by Konecranes were based solely on company calculations, analysts and others had difficulties to convincingly counter them. In other words, the information asymmetry between the company and commentators resulted in key decision makers being repeated in the media through quoting corporate communications, establishing legitimacy for the acquisition.

*"The merger got cancelled, because apparently some of the Terex owners were ready to accept the Chinese Zoomlion's offer for Terex," Stig Gustavson, vice chairman of the board of Konecranes states. "Cash is tempting and these owners **do not have the patience to wait for the benefits that the merger would have brought in the long term**", he estimates. The*

*approval of the merger would have therefore been uncertain among Terex owners and Konecranes was not willing to take that risk.* – AP 16.5.2016

Some dynamics within the process of rationalization were distinguishable from previous periods. As can be seen from above quote, rationalization was utilized to attribute blame for the failure (of the merger) to Terex and Zoomlion. This was done by stressing the lack of patience and resulting short sightedness of Terex owners and arguing that they did not understand the logic of delayed gratification, a key principle in rationalizing corporate action. Furthermore, the suggestion that Konecranes Terex merger would have brought long term benefits and instead Terex owners were tempted by cash in the short term can be interpreted as implicitly questioning the industrial logic of Zoomlion's proposed acquisition of Terex and by doing so, highlighted that of the Konecranes acquisition. Finally, pointing out that Konecranes "was not willing to take the risk" posited the Finnish company as the driving force behind the arrangement. This simultaneously attributed failure of the merger to Terex and Zoomlion while portraying Konecranes as responsible for securing the acquisition and saving the process with rational and forceful decision making.

In general, the decision to cancel the merger and to proceed with an acquisition was not questioned. By investigating the data at hand, it is reasonable to argue that the context of the situation was essential in the acquisition being accepted as legitimate. Most business journalists and analysts as well as the markets more broadly, rely on information published by corporations and are ideologically aligned with neoliberal and capitalist thought. Having these two facts as premises and looking at the company estimations on synergies and strategic arguments for the fit between the two businesses helps to explain the positive reaction. To be more specific, synergies expected to exceed those of the merger and the geographical and operational complementariness of the businesses without many of the burdens of a full merger can be considered as convincing arguments from a neoliberal and capitalist point of view. Also, the fact that the discourse prior to the acquisition announcement had become quite pessimistic might have contributed to the positivity of the post announcement discourse as reactions always occur vis-à-vis expectations. In essence, it is explainable why there was so little criticism of the acquisition in the first place and why this criticism focused on the realizability of the synergies instead of the acquisition per se.

#### 4.1.7 Naturalizing the acquisition post announcement

During this period, rationalization was one of the significant legitimization strategies utilized and it exhibited many of the typical characteristics discussed earlier. As can be seen from table 2, improved competitiveness, synergy benefits, growth, efficiency and profits were regularly referred to in order to legitimate the merger. A distinguishing feature of rationalization as a legitimization strategy during this period was the emphasis on the essential nature and progress of the integration process.

*Crucial for Konecranes' **future business and market value** is how it **finalizes** the well commenced Terex **integration**. New weapons have been given to the company: for example, in light crane systems utilized in car manufacturing Konecranes was repeatedly beaten by Demag, that now belongs to the same team. – TE 30.5.2017*

As can be seen from above, integration was seen as an essential process and a vehicle for success, that in a neoliberal and capitalist frame means market value. Successful integration itself was therefore seen not as an objective, but as an instrument in achieving the above discussed, more quantifiable benefits of the acquisition. Interestingly, one of the outcomes of the acquisition, gaining possession of Demag cranes business, was seen as a tool for successfully finalizing the integration of that same acquisition. That is to say, the Demag's successful operations and the fact that Konecranes would not have to compete with them anymore were perceived as helping in the integration of the two businesses.

During this period, rationalization was heavily intertwined with normalization, narrativization as well as with authorization and moralization. Links to moralization and normalization were often implicit, the first being a foundational set of values underlying all strategizing and the latter a way of talking about things, while authorization was more explicit. Narrativization in turn, provided an overall frame for rationalization. These strategies will be discussed in following sections of this thesis.

## 4.2 Authorization

Authorization as a (de)legitimation strategy was a continuous presence in my data set and most of the times followed rationalization in time and significance. Its role was especially in essential in delegitimation. During the 30-month period, analysts, markets, banks and

company personnel were the most often referred authorities, although the content of their legitimating discourse varied from context and time period to another. These authorities, notable dynamics and illustrative quotes are summarized in table 3 below.

**Table 3: Authorization, notable dynamics**

Period	Notable dynamics	Illustrative quotes
Prior merger announcement	Minor strategy References Mr. Routila's expertise Intertwined with rationalization	<i><b>Routila is not a rookie in a listed company. He has been a board member and the chairman of the nonwoven fabric manufacturer Ahlström since 2014 and worked as a board member and the chairman at Vacon, a variable-frequency drive manufacturer, in 2010-2015. Ahlström Capital in turn, is one of the largest investment companies in Finland.</b></i> KL29.7.2015
Merger announcement	Major, explicit strategy Follows rationalization in time Intertwined with rationalization and normalization Markets and analysts as main authorities, company personnel as minor authorities Proactive and reactive	<i>"The merger between Finnish Konecranes and American Terex appears beneficial for Konecranes' shareholders when valued using multiples", <b>estimates Nordea's strategist Kristian Tammela.</b></i> IS 11.8.2015 <i>"After the merger the companies can enhance their production in Europe, which would bring clear cost savings. The companies' product portfolios also complement each other, meaning the deal seems sensible", <b>states Nordea's overview.</b></i> TE 11.8.2015 <i>The merger can also be interpreted as <b>Gustavson (Konecranes chairman)</b> having the patience to wait how Terex copes with acquisitions made half a decade ago.</i> – KL 12.8.2015
Legitimation, delegitimation and re-legitimation of the merger	Utilized for delegitimation Dominant strategy Referrals to analysts, banks and investors Mostly reactive, at times proactive Referred authorities utilized rationalizations as strategies	<i>Even though Konecranes' and Terex's merger has received plenty of praise, <b>Seligson's Phoebus fund's manager Anders Oldenburg</b> tells in his latest blog that he is worried for Konecranes. "As always in this kind of situations, the companies' profits have been destroyed for the next 3-4 years. <b>At first, there will be more costs than benefits</b> and as the companies focus on internal matters, their competitiveness suffers", Oldenburg writes.</i> KL 23.8.2015 <i>"Terex's shareholders will own 60 percent of the new company. Juridically the company will be Finnish, but operationally it will be American." In the Phoebus fund, the share of Konecranes stocks is little under four percent. In his blog, <b>Oldenburg ponders that he might even part ways with Konecranes entirely.</b></i> KL 23.8.2015 <i>Investment bank <b>JPMorgan</b> lowered its purchase recommendation on Terex.</i> KL 9.9.2015
A competing offer complicates the dynamic: Legitimation of merger, delegitimation of acquisition	Major strategy Competitive officials and company personnel as authorities, single reference to analyst opinion Attempts to delegitimize markets' authority Intertwined with rationalization, normalization and narrativization Reactive	<i>According to the release, the companies got the <b>approvals of India's and Turkey's competitive authorities</b> in January. They have also sought the <b>approval of US Department of Justice</b> in accordance with HSR-law and are preparing announcement to <b>European Commission</b>. Both companies continue their <b>cooperation with authorities</b> in order to get lacking approvals as soon as possible.</i> TE 3.2.2016 <i>During the past decades, <b>Routila has acquired plenty of leadership experience</b> abroad. "You do not get international leadership experience from the internet but with practical work in different industries. Working abroad also requires adopting local customs.</i> KL 4.2.2016 <i>Konecranes is not the only obstacle on the way of Zoomlion's acquisition. In the US, selling Terex to China has raised concerns because the company has contracts with the US military and supplies crucial infrastructure, cranes, to ports. <b>Representatives in Congress are worried</b> that selling Terex would be a <b>threat to national security</b>. The acquisition would not necessarily get the <b>approval of the country's officials.</b></i> HS 19.2.2016 <i>The <b>analyst</b> underscores that halting the (integration) planning does not mean cancelling the merger. "We stress that in many ways there is considerable uncertainty related to the Zoomlion offer. Thereby halting integration planning does not mean the collapse of Konecranes Terex merger, although it is not a good sign of merger progress", the analyst estimates. <b>The analyst then repeats</b> an earlier opinion arguing that Konecranes Terex merger "<b>has a clear industrial logic and we consider</b></i>

		<p><i>the arrangement to be beneficial for Konecranes especially in the long term". "Therefore, the cancelling of the merger would in our opinion be a setback for Konecranes", the analyst writes. KL 22.2.2016</i></p> <p><i>The Chinese becoming owners of Terex would not be a stroll in a park in the US. Five years ago, Terex bought the port cranes of Italian Fantuzzi and German Gottwald of which US ports have acquired as well. The US considers ports along with their cranes as strategic targets. KL 23.2.2016</i></p> <p><i>China taught the importance of speed to Panu Routila, who recently arose to the position of CEO at Konecranes. In leadership instead of power use he stresses argumentation. – KL 24.2.2016</i></p> <p><i>News agency Reuters reports that at least three lawmakers have written a letter to US Department of Treasury in which they warn about the acquisition (Zoomlion offer). According to them, officials should investigate the deal carefully. "I strongly caution you to apply robust scrutiny to any possible Chinese takeover of an American company that supplies resources to our service members," writes Walter Jones, a representative from North Carolina. Furthermore, National Defense Magazine writes, that there are significant concerns about the Zoomlion offer in the US. TE 1.3.2016</i></p>
A competing offer complicates the dynamic: Delegitimation of merger, legitimation of acquisition	<p>Dominant strategy</p> <p>Reference to markets, banks, investors, newspapers and analysts</p> <p>Rationalization and normalization as minor sub strategies</p> <p>Authorities reference rationalizations and other authorities to increase credibility</p>	<p><i>Konecranes' partner may cancel the merger – company's share price +46 % (headline)... Terex's share skyrocketed in New York stock exchange after the announcement (of Zoomlion offer). At 9 pm Finnish time the stock was 46 % over Monday's closing price. IS 26.1.2016</i></p> <p><i>Powerful reaction to news about crane manufacturer Konecranes' revealed the distrust towards Konecranes and Terex merger. IS 26.1.2016</i></p> <p><i>JPMorgan's analysts believe that officials would approve the deal (Zoomlion's acquisition of Terex). IS 27.1.2016</i></p> <p><i>Dealreporter, a news agency, tells that according to its unnamed sources Chinese Zoomlion's partner in the Terex offer is an investment company. In addition, Zoomlion has received promises of support from several banks, Dealreporter states... The markets have considered merger disadvantageous to Konecranes and the uncertainty surrounding the deal caused Konecranes' share price to increase over nine percent yesterday before trading was stopped nine minutes before Helsinki stock exchange closed. Konecranes stock has decreased eight percent this afternoon. IS 27.1.2016</i></p> <p><i>Handelsbanken has commented on crane manufacturer Konecranes' intended merger with Terex. Yesterday, Konecranes informed that the deal is still progressing. Handelsbanken does not agree. It estimates, that the merger "is probably cancelled" after Chinese Zoomlion announced its interest in American Terex." IS 4.2.2016</i></p> <p><i>According to market rumors, heavily levered Zoomlion's acquisition of Terex will be financed by Chinese investor Hony Capital, who can operate with about ten billion dollars. Hony, who invests in manufacturing is part of a giant investor Legend Holdings. Hony has previously invested in Zoomlion's acquisitions in Europe, for example in the Netherlands. KL 18.2.2016</i></p> <p><i>The merger is weird also because neither of the companies seem to be the driving force. It is also awkwardly obvious that most M&amp;As fail. Oldenburg sees Konecranes' position as excellent if it continued alone. He thinks the Finnish company's greatest strengths are services and technical know-how, that will not disappear even if the merger was to be cancelled. TE 4.3.2016</i></p>
An increased Zoomlion offer: legitimation and delegitimation of the merger	<p>Major strategy</p> <p>Legitimation by referring to markets, analysts, owners (funds) and companies' boards and their agreements</p> <p>Delegitimation by referring to analysts</p> <p>Reactive</p>	<p><i>Zoomlion's share price dropped almost eight percent in Hongkong stock exchange on Thursday, when the Chinese company "sweetened" its Terex offer. KL 24.3.2016</i></p> <p><i>Konecranes reminds us, that its agreement with Terex is extensively binding. "The Terex Board of Directors has not changed its recommendation in support of the proposed combination with Konecranes. Until such time as Terex' existing agreement with Konecranes is terminated, Terex is prohibited from entering into an agreement with Zoomlion. Without agreement from Konecranes, Terex may not terminate its existing agreement unless and until Terex shareholders vote upon, and fail to approve, the Konecranes transaction,</i></p>

	Intertwined with rationalization and normalization	<p>or Terex is otherwise entitled to terminate under its agreement with Konecranes." TE 24.3.2016</p> <p>"The cancellation procedure is described in detail in our agreement that is public. <b>The cancellation does not happen just like that.</b> If we do not want to do it, Terex's AGM is ultimately the party that can cancel it," Gustavson states. "This can only happen when the AGM has a proposal that it can vote on." IS 24.3.2016</p> <p>According to <b>analysts' estimates</b>, Konecranes Terex merger seems to be practically cancelled. Both <b>Evli's analyst Elina Riutta and OP's analyst Pekka Spolander think so...</b> According to Riutta, the 37 million fine from withdrawing from the Konecranes merger "is a very small thing in the grand scheme of things". "It will not affect the acquisition", Riutta states... The open question according to Spolander is the stance of American officials with regards to Terex and the Chinese company merging. "Will they approve Zoomlion as the acquirer because Terex has business with US military and the public sector. <b>Most think that it would not be a problem.</b>" IS 24.3.2016</p> <p>According to <b>analysts</b> interviewed by Reuters it is possible that the financial results published last week might affect the offer and Zoomlion's ability to make the acquisition. According to the analysts interviewed by the news agency, it is not necessarily sensible for Zoomlion to invest such a large sum to acquire Terex. HS 25.4.2016</p>
Acquisition announcement	<p>Major strategy</p> <p>Reference to analysts, markets, company personnel and business journalists as authorities</p> <p>Analysts a vehicle to praise acquisition over merger</p> <p>Some skepticism of synergy realizability</p>	<p><b>Stock exchange:</b> Konecranes' "<b>dream solution</b>" pushed the share price into <b>21 % flight</b> (headline). KL 16.5.2106</p> <p>Juha Kinnunen, <b>analyst</b> from Inders estimates that the price can be considered affordable if Konecranes is able to achieve the intended synergies. KL 16.5.2016</p> <p><b>Analyst:</b> Konecranes will get the part of Terex that it has been after (headline). IS 16.5.2016</p> <p><b>Spolander (an analyst) estimates</b> that valuation multiples for the acquisition are reasonable. He thinks that the expected synergies are quite high relative to the profits of the businesses being combined. Last year the combined profit for the businesses was about 170 million. "If even a significant portion of the synergies were to be realized, then there would be significant profit improvement potential." IS 16.5.2016</p> <p>News agency <b>Bloomberg's Gadfly columnists</b> interpreted the situation so, that in the new arrangement <b>everyone, including Chinese Zoomlion wins</b>. Konecranes Terex merger fell apart after Zoomlion begun pursuing Terex. IS 17.5.2016</p> <p><b>Investors received the news about the reduced arrangement with glee.</b> Konecranes <b>share price increased</b> almost 18 per cent on Monday. HS 17.5.2016</p>
Naturalizing the acquisition post announcement	<p>Dominant strategy</p> <p>Competitive officials, analysts, markets and business journalists as authorities</p> <p>Intertwined with rationalization and normalization (implicit in the language)</p>	<p>"We believe that this proposal corresponds fully with the <b>(European) Commission's</b> position and that we can <b>progress with the MHPS deal</b>", says Konecranes CEO Panu Routila. AP 20.7.2016</p> <p>Today's biggest rise was however from crane manufacturer Konecranes, who's <b>share appreciated 4,3 percent to 27,90 euros</b>. In the afternoon it turned out that behind the rise was <b>Danske Bank's buy recommendation</b>. The bank raised its <b>target price to 35 euros</b> from 27 euros. <b>Bank's analyst</b> Antti Suttelin told news agency Bloomberg that the rationale for the raise were the <b>benefits to be gained from the Terex MHPS acquisition</b>. <b>OP's senior analyst</b> Pekka Spolander in turn told to Taloussanommat that the arrangement with American Terex <b>seems to be passing (regulations)</b>. The EU Commission has conditioned deal on Konecranes divesting Stahl Crane Systems. IS 16.8.2016</p> <p>"When the <b>synergies</b> are realized, <b>profits should improve</b> significantly. There is also <b>long-term potential</b> in the service business due to increased installed base and high expectations for various <b>efficiency measures</b>", says <b>OP's senior analyst</b> Pekka Spolander. KL 31.7.2017</p> <p>Konecranes ended up acquiring Terex's industrial and port lifting business and only the price was contended, Routila told. Since then, things have gone nicely. Before the deal Konecranes' <b>market cap was 1,1 billion euros, now it is about three billion</b>. AP 25.8.2017</p>

#### 4.2.1 Prior merger announcement

*“Routila’s indirect leadership skills of complex organizations and his experience of mergers and acquisitions correspond well with the future needs of the group” Gustavson believes. – KL 29.7.2015*

As can be seen from above quote, before the merger was announced, company personnel were the authority referred to legitimate future organizational actions. By referencing to the experience and skills of the CEO, a sense of professionalism and certainty was conveyed. In other words, various stakeholders and the public in general are being convinced of the quality of the leadership at Konecranes broadening the scope of acceptable decisions and actions that can be taken because the management is trusted to have information, knowledge and expertise not possessed by others. Of course, the above kind of communications did not directly legitimate the merger as it was not public information yet, but these efforts can be seen as proactively creating a sense of acceptability towards M&As. As is typical for legitimization strategies, authorization during this period functioned within a broader strategy, narrativization, that provided an overall frame by telling personified stories from the CEO’s past and spare time as well as about his friendly relationship with the chairman.

#### 4.2.2 Merger announcement

*Terex celebrates Konecranes union, **share on the rise** – KL 11.8.2015*

*Nordnet’s Oksaharju: The best American purchase of the 2000s – KL 11.8.2015*

As can be seen from above, upon the announcement of the merger, business and national press referenced to analysts’ opinions and market reactions to legitimate the merger. More specifically, by linking the merger news and an increase in share price, the KL headline implies causation. As increases in share prices are widely considered to be good, the implication is that the merger as a cause for such phenomena must be good as well. In essence, the increase in share prices was attributed to the merger without questioning whether the hike was warranted by concrete evidence and was then utilized as an authority to legitimate the merger. Furthermore, as can be seen from the above statement and the drawn implications, legitimization strategies relied on certain moral foundations that in this and most other cases, were neo-liberal and capitalist.

In the second quote, an analyst opinion contrasting the merger with fifteen years of M&As was referred to as a legitimating authority. Here it is noteworthy that the comparison was made between deals that have been studied for years and of which outcomes are known, and a deal announced few hours earlier. As M&As in the long term often fail to achieve intended synergies and outcomes, comparing a seemingly good deal on paper to older, completed deals biases the contrasting in favor of the ‘on paper’ deal. Therefore, in my view, such comparisons should not possess much weight, but due to analysts’ institutional credibility, their authority has legitimating influence. During this period, authorization strategies were more active in nature and while they had some reactionary characteristics, most of them preemptively addressed potential concerns instead of reacting to already emerged issues.

Authorization was used as a legitimation strategy with regards to employee concerns and layoffs as well. IS (11.8.2015) headline of “Tomorrow’s jobs are not the jobs of today” is a quote from Konecranes chairman Stig Gustavson and demonstrates first, how the management was given room in the media to legitimate and justify its actions and second, the use of authority, in this case macro-economic trends as legitimation strategy.

***Gustavson states that the merger with Terex was **one option among others**. “We followed the entire crane industry with regards to acquisitions”. – KL 12.8.2015***

Finally, Stig Gustavson, the Konecranes chairman was also used as an authority. The above quote is from an article that attributed responsibility for the merger directly to him highlighting his ability and standing in the corporate world. Gustavson was characterized as a great strategic thinker and a rational decision maker who considered a multitude of options before making an informed decision. Within a neoliberal and capitalist moral framework, this type of rhetoric often increases one’s credibility meaning he can then be used as an authority to legitimate organizational actions. Furthermore, as can be seen from table 3, it was also highlighted that Mr. Gustavson had the patience to wait for the right opportunity to acquire Terex implying rationality and calmness that are traditionally appreciated in managers.



#### 4.2.3 Legitimation, delegitimation and relegitimation of the merger

Most of the delegitimation during the period between the merger announcement and 26<sup>th</sup> of January 2016 happened through authorization. While downturns in the stock market were often attributed to general economic developments, analysts and investors were referred to as delegitimizing authorities. Conforming with mainstream strategy and management rhetoric prevalent in the business press, the discourses produced by experts were mainly rationalistic. This is logical as within a neo-liberal and capitalistic setting, rationalistic assertions often have the most weight as both legitimating and delegitimizing arguments. Below quotes are representative of these discourses and demonstrate how authorization was utilized to question the legitimacy of the merger.

*Anders Oldenburg, manager of the Seligson Phoebus -fund states he is worried about the Konecranes Terex deal for multiple reasons. – KL 23.8.2015*

*Oldenburg is also suspicious whether Konecranes is the stronger party in the merger. He reminds us that in the real world there are no mergers of equals. – KL 23.8.2015*

In Finland, Anders Oldenburg is a well-known fund manager and finance blogger which means that his opinions carry significant weight in the corporate world. Therefore, him being “worried” about a merger questions the industrial logic behind it. Another clearly delegitimizing aspect in the discourse was the fact that Oldenburg questioned the legitimacy of the “merger of equals” rhetoric. In Konecranes’ releases and press conferences, the companies’ equal status as partners was constantly highlighted and in fact, it functioned as one of the main rhetorical tactics used to assure stakeholders, and Finns more broadly about the merger’s advantages and its beneficial and fair power relations.

*Investment bank JPMorgan estimates, that the Terex share is losing to competitors because of the planned merger synergy benefits have a great risk of being a disappointment. – KL 9.9.2015*

In addition to questioning the company’s rhetoric, the intended synergies were also doubted in the media. As the synergies were the single biggest rationalization for the merger, referring to a JPMorgan report contesting them had a clear and strong delegitimizing effect. Furthermore, as the company had not produced much concrete information nor calculations detailing how those synergies were intended to be realized, the reports could not be disputed

immediately by more merger friendly experts and media, but were left in the arena of (de)legitimation.

Despite the apparent delegitimation efforts, the underlying dynamics were more complex. By placing the above cited criticism within the broader frame of positive and legitimating discourse (“Even though the merger has received plenty of praise...” – KL 23.8.2015), these more critical opinions were highlighted as the minority view which can be seen as further legitimating the merger by rendering it as the normal state of affairs.

Even though during this period more critical views emerged delegitimizing the merger, the media discourse often had legitimating undertones, meaning reports on negative events were often rather diluted or even apologetic. For example, IS and KL (18.8.2015) both report on the transaction and legal costs of the merger, but do not criticize or question it. Later, IS (31.8.2015 & 4.9.2015) notes Konecranes’ poor share price development but ascribes it on general economic developments, not on the merger. When these findings are compared to the initial legitimation dynamics where positive market reactions were used as vehicles for legitimation via authorization, it is reasonable to argue that market reactions to M&As are more easily attributed to company actions when positive than negative.

#### **4.2.4 A competing offer complicates the dynamic**

Following the emergence of critical voices, authorization was an explicit strategy and functioned in isolation as well as in co-operation with rationalization and normalization to relegitimate the merger. Market reactions and expert opinions were almost entirely sources for illegitimacy during this period, in which a single analyst opinion was referred to in order to maintain merger legitimacy in the media. The most recurring authority referenced to maintain merger legitimacy were competitive officials in various countries, especially in the US. In addition, questioning the markets’ authority functioned as a strategy trying to maintain merger legitimacy.

*“We believe that **the stock market undervalues the inherent value-creation potential of the merger.**” (direct Konecranes statement) – KL 3.2.2016*

As can be seen from the above quote, the markets’ authority as a source for illegitimacy was downplayed, which was emblematic of the broader dynamic where the competing Zoomlion

offer and any potential concerns about the initial merger were actively delegitimated helping to maintain the legitimacy of and to relegitimate the Konecranes Terex merger. The delegitimation of markets as an authority had mixed results. On one hand, as the companies involved possessed more and better information regarding a merger, it is possible that the markets, who rely on publicly available information, did not grasp all the benefits of the deal. Highlighting the value creation potential of the merger could have therefore helped to maintain legitimacy. On the other hand, the companies were reluctant to provide further information regarding the synergies and the fact that communications relied on discussing “value creation potential” when questioning the markets’ reaction implies a lack of crucial information that would have made the markets react otherwise.

*According to Bloomberg, the Chinese offer could **face resistance in the US** because port cranes are strategically important technology. Last week **Dutch Royal Philips NV cancelled** the sale of a 2,8-billion-dollar component unit to Chinese GO Scale Capital as **US officials** thought the deal would be a threat to national security. – KL 27.1.2016*

In trying to maintain the legitimacy of the merger, referencing to competitive authorities and even lawmakers, especially in the US was a typical strategy. The above quote reflects this strategy well and shows how the discourse on the secretive background of Zoomlion was combined with talk of US regulation and how this could become a problem were Zoomlion to acquire Terex. Intertwined with authorization here was normalization. By referring to an example of another cancelled cross-border acquisition involving a Chinese company, a sense of normalcy with regards to competitive officials and their actions was created. Forbidding Zoomlion from acquiring Terex would have therefore been normal, allowing Konecranes to proceed. Moreover, the mentioning of the high dollar value of the earlier cancelled deal and the fact that it was ‘only’ a component unit instead of strategic port infrastructure provider demonstrated the power and influence of the officials implying that they indeed had the authority to stop Zoomlion from purchasing Terex as well.

In addition to competitive authorities, Konecranes CEO Panu Routila was once again used as an authority and a source of legitimacy. Long interviews detailing his expertise and personality were utilized to heighten his authority. This strategy was combined with narrativization and legitimated the merger in an indirect way. To be more specific, the discourse personified Konecranes by associating it with Mr. Routila, his relatable persona and career success. By doing so, the merger and other actions taken by Mr. Routila and

Konecranes were legitimated as he was considered to be a both rational and capable decision maker as well as a good person leading the company responsibly.

While competitive officials were used to (re)legitimate the merger, markets, analysts and institutional authorities such as banks and respected newspapers were constantly referred to in order to simultaneously delegitimize it and to legitimate the Zoomlion offer. In the delegitimation of the merger, authorization was the most dominant and recurring strategy. In fact, with regards to other strategies, only vague rationalizations pointing out the financial benefits of the new deal in comparison to the merger were made. In my view these were however sub strategies of authorization rather than distinguishable delegitimation strategies. As discussed above, some rationalizations explicitly legitimated the potential collapse of the merger, but this was interpreted as proactive legitimation of a no deal scenario, not as purposeful delegitimation of the merger per se. However, as perceiving the merger as illegitimate contributed to the overall objective, considering rationalization as a distinct delegitimation strategy is a reasonable alternative interpretation.

Normalization as a sub strategy to authorization was also used to delegitimize the merger. A minor positive normalizing reference to Zoomlion's financier Hony's past practices was found in my data set. Other delegitimation efforts were also rare, passive and identifiable only on the broader, discursive level. For example, during the two-month period, the discourse changed from talking about the merger as a certainty to "Konecranes reassures: merger with Terex progressing" (HS 3.2.2016) and "Combined Konecranes Terex was going to locate in Finland" (TE 19.2.2016). This shift can be interpreted as the merger no longer being perceived as the normal state of affairs but as an unlikely and even unwanted scenario. In sum, rationalization and normalization played insignificant roles in delegitimation of the merger, while the dynamic role of authorization as both delegitimizing the merger and legitimizing the Zoomlion offer was considerable as is apparent in below quotes and table 3.

*"In my opinion, the merger is not a very good thing. And the **markets seem to agree**", Oldenburg tells Taloussanomati... "As a shareholder I just have to hope that the merger relationship does not get any worse if Konecranes was to make an improved offer to get the deal done. Even now the relationship is much more beneficial to Terex shareholders", he says. – IS 26.1.2016*

*There have been **rumors** about the Konecranes Terex merger collapsing ever since the Zoomlion offer became public at the end of January. **Handelsbanken among others**, has publicly doubted the merger. – TE 19.2.2016*

***The newspaper (Wall Street Journal)** estimates that in this situation, Terex should leave Konecranes at the altar. It notes that Konecranes **share price has decreased** 25 percent since the announcement last fall. Therefore, Konecranes' offer trails Zoomlion's by 1,5 billion dollars. Because of the higher offer, Terex could easily pay the 37-million-dollar reimbursement to the Finnish company, **WSJ notes**. – TE 16.3.2016*

Similar to delegitimation in the previous phase, banks and analysts were often referred to delegitimize the merger. Distinctive for this period was authorities' increased references to rationalizations and to other authorities to further increase their credibility. A portfolio manager utilizing his position as Konecranes shareholder is an illustrative example of doing both of these simultaneously. Another, linguistic authorization strategy was to personify the inanimate but in a neoliberal setting, institutionally credible 'markets', as "agreeing" with the position being held to further legitimate it. The second quote demonstrates how particular language use can convey a sense of authority. Passively stating "there have been" carries a meaning of consensus and general opinion. To be more specific, discussing rumors in such a manner implies that these rumors are if not majority, at least a significant minority, making them an authority by default. In general, rumors do not possess as much credibility as named, trustworthy sources and by explicitly mentioning Handelsbanken, this aspect is negated to an extent. Finally, the third quote illustrates a novel dynamic of referring to respected newspapers as sources of authority and legitimacy. A metaphorical expression of leaving someone at the altar was utilized in order to express both the grandness of the situation as well as the importance of the decision that should be taken. In other words, WSJ implied that Zoomlion's offer was so lucrative that such a serious turnaround decision should be made, going as far as providing financial calculations in support.

#### **4.2.5 An increased Zoomlion offer**

Authorization to legitimate and to delegitimize the initial merger referred to four distinct authorities: markets, analysts, funds owning Terex and the companies' personnel, their decisions and rules. The first one, markets were referred to in order to delegitimize the Zoomlion offer and by doing so, to legitimate the Konecranes deal. The overall dynamic was similar to prior utilization of markets as an authority and in this case, a negative market reaction to the increased offer, a decrease in Zoomlion's share price, was highlighted to

demonstrate that the markets did not ‘approve’ of it. Referring to the second authority, analysts, followed similar logic to previous phases of this M&A process and during this period, it was utilized as a strategy to both legitimate and delegitimize the Konecranes merger. The basic facts of the case, such as differences in the monetary values of the offers, were acknowledged by all analysts while some openly legitimated the Konecranes deal by discussing the benefits of it and ignoring possible disadvantages whereas others focused on elaborating how Terex could easily afford reimbursements to Konecranes because of the more lucrative Zoomlion cash offer. Furthermore, referencing analysts often functioned together with rationalization as the analysts supported their views by citing financial benefits and industrial logics of either or both deals.

Referring to representatives from funds owning parts of Terex as an authority was a novel dynamic of this period. In my view, this type of authorization was utilized to proactively legitimate the possible failure of the Konecranes Terex merger by discussing the benefits of such scenario. Even though fund representatives as an authority were novel, speculating with potential Zoomlion divestments and how Konecranes could benefit from those was reminiscent of earlier proactive legitimation of Konecranes Terex merger failure, as can be seen from the below quote.

*“Konecranes has a reason to be vigilant. **The Chinese might offer port and industrial cranes to Konecranes.** Zoomlion would then be left with heavier machinery”, representative of a fund owning Terex states to Kauppalehti in New York. The representative wishes to remain anonymous. – KL 31.3.2016*

The fund representatives were also referred to in order to directly delegitimize the merger and to legitimate the Zoomlion offer.

***American funds, who represent Terex shareholders, have not yet begun supporting Terex’s merger with Konecranes.** “It is difficult to envision long-term benefits of the merger in this current poor economic situation. And at the same time, Zoomlion’s Terex offer can be considered to be high.” – KL 9.5.2016*

By discussing the funds as animate and personified actors who can support or not support something, they are given institutional authority, similar to the markets. Moreover, mentioning the vagueness of the merger’s benefits and comparing these with clear financial

advantages of Zoomlion's offer utilizes rationalization to delegitimize the merger and legitimate the Zoomlion offer.

The fourth authority, companies' personnel, decisions and rules, that were constantly referred to during this period exhibit an interesting dynamic both legitimating and delegitimizing the merger. An example of this is the way Terex's board's recommendation regarding the merger was referred to.

*Terex's **board of directors** announced on Wednesday that it would seek a binding offer from Zoomlion. At the same time however, Terex announced that it still **supports the current agreement with Konecranes**. Terex and Konecranes have already entered into a **binding agreement** to merge, so cancelling it requires **Terex's AGM's decision** or that Terex is otherwise entitled to terminate under its **agreement with Konecranes**. – HS 24.3.2016*

On the surface, referring to a board of directors' recommendation as done in above quote utilizes the authority invested in that board and as that board recommends the merger, it is reasonable to argue that its legitimacy is improved or at least maintained. However, when the full company statement, which is presented in table 3, is inspected more closely, it seems that the Terex board was contractually obligated to recommend the Konecranes merger to its shareholders. This would have reduced the authority of the board and thereby its credibility as a source of legitimacy. Nevertheless, as it is not explicitly stated whether the recommendation was based on a contractual obligation or not, it is likely that referring to a board as an authority did indeed legitimate the merger. Moreover, the business combination agreement itself was utilized as an authority to legitimate the merger. This was done explicitly by Konecranes board member Stig Gustavson in an interview where the seriousness of the agreement and difficulty of cancelling it were highlighted. Mr. Gustavson's high standing in the corporate world was also stressed in order to increase his personal authority and through that, legitimacy of the merger.

#### **4.2.6 Acquisition announcement**

During the twelve days following the acquisition announcement, authorization was the most often utilized legitimation strategy. It focused on analyst opinions and share price fluctuations, that both legitimated the acquisition. In general, analysts agreed that the acquisition was a good strategic move for Konecranes even though some were slightly skeptical whether all synergies could be realized. All in all, the process of referencing

analysts and market reactions as authorities to legitimate corporate actions functioned in similar fashion to previous phases of the M&A process as demonstrated in table 3.

A distinguishing feature of authorization during this period was the importance of analysts as producers of legitimating discourse. Previously, analysts had played a major part in legitimating actions, but these discourses were often more multifaceted takes on overall market situations and company calculations, many of them delegitimizing certain actions. After the acquisition announcement however, Konecranes as a company did not participate in producing legitimating discourse as actively as it had done previously, but it rather allowed analysts and other commentators to lead the discourse into establishing legitimacy for the acquisition, as can be seen in below quote.

*Pekka Spolander, an **analyst from OP**, thinks the deal (acquisition) is a **better option to Konecranes than the initial full merger**. “In my view, this is a better arrangement, because the merger would have included businesses of which destinies would have remained open for a long time. Konecranes’ **owners will get the full benefit** from this arrangement”, Spolander said to Taloussanomati in the morning. – IS 16.5.2016*

Reasons for this change of approach can be explained by investigating the discourse more closely. As previously discussed, Konecranes attributed blame for the cancellation of the merger to Terex and Zoomlion while taking responsibility for securing the acquisition. However, in my view overly enthusiastic praising of the acquisition would have led to it being elevated above the merger as a strategic option, which could have resulted in the questioning of the management’s decision-making. In other words, had the management clearly praised the acquisition over the merger, it would have been reasonable to ask why Konecranes did not pursue it in the first place. Therefore, by diplomatically stating that both alternatives had their advantages, and then letting analysts and other outsiders to applaud the acquisition, the management avoided critique of their decision making while the acquisition gained legitimacy in the media through authorization.

Analysts played a role in establishing legitimacy for the acquisition in an intertwined way with normalization as well. This will be discussed in more detail in the Normalization section of this chapter.



#### 4.2.7 Naturalizing the acquisition post announcement

Following the confirmation of the acquisition, several different authorities were referred to in order to legitimate the acquisition and naturalize it in the discourse. Similar to previous phases in the M&A process, analyst opinions and share price increases were referred in order to construct and maintain legitimacy. It is noteworthy, that share price decreases were not explicitly attributed to the acquisition while share price increases were directly linked to it. This reaffirms previously made remarks about positive media bias towards mergers and acquisitions. That is to say, the default attitude in the media towards M&As seems to be positive rather than negative which means that positive outcomes are more easily attributed to company actions and management than negative outcomes. Below quotes are examples of directly attributing positive market developments to the acquisition while refusing to do so with negative developments.

*Konecranes' rise begun in 2016 after the Terex merger had been solved. This year Konecranes share has increased 11,8 percent and in the past twelve months it has risen 37,8 percent. According to analysts, there is even more room to grow, 12 per cent on average. – KL 31.7.2017*

*This morning's most traded stock has been engineering workshop Konecranes, which has declined almost three per cent. Terex, who is selling its MHPS business to Konecranes told it is selling most of its Konecranes shares in an accelerated book-building process. Terex sold 7,45 million shares for 34,50 euros each. – KL 15.2.2017*

Aligning with observations from previous phases of the M&A process, competitive officials were referred to legitimate the acquisition. During this period, competitive officials' dynamic role as authorities for simultaneous delegitimation (of Zoomlion's offer) and legitimization of Konecranes' proposal was reduced to solely the latter.

*"The pending acquisition of the Material Handling & Port Solutions business from Terex Corporation reached important milestones in the third quarter... We received approval from the European Commission that is conditional on the divestment of the STAHL CraneSystems business. Also, the United States Department of Justice cleared the pending acquisition. Furthermore, the Konecranes' Extraordinary General Meeting made the necessary decisions to complete the acquisition", Routila says in quarterly report. "In the beginning of the fourth quarter, we received clearance from the Committee on Foreign Investment in the United States. Konecranes and Terex are working closely with the competition authorities in the remaining jurisdictions to obtain regulatory approvals allowing completion of the acquisition in early 2017 as planned." – TE 26.10.2016*

Referring to approvals from European Commission and United States Department of Justice signified acceptance from the broader community as in constitutional states the authority of these institutions is seen as originating from the people. Secondly, referring to Konecranes' Extraordinary General Meeting can be interpreted as an attempt by the company to signify that the acquisition was not about operational management forcefully building an empire but an organization acting for the interests of many instead of few. In truth, decisions by AGM's are oftentimes only legal confirmations of previously agreed arrangements and therefore rather symbolical. However, the perception of institutional credibility often has significant legitimating influence making symbolical, *de jure* decisions noteworthy parts of discursive legitimation.

### 4.3 Normalization

During most periods in the M&A process, normalization was implicit in the language instead of an explicit reference to past or current events that would have made the process seem normal. This meant that normalization often functioned intertwined or sub-ordinated to other strategies. In the language used, continuity, conformity, predictability, progress and control were repeatedly stressed to establish and maintain normalcy. Distinctive dynamics of normalization during each period are discussed below and summarized in table 4.

**Table 4: Normalization, notable dynamics**

Period	Notable dynamics	Illustrative quotes
Prior merger announcement	Major strategy Intertwined with rationalization Proactive	<i>According to Gustavson, Routila is a good choice for Konecranes specifically due to his acquisition experience. "The objective is to double our market share from 15 to 30 percent". HS 30.7.2015</i>
Merger announcement	Minor strategy Intertwined with rationalization, authorization and politicization Both retrospective and prospective references to other M&As Often implicit in discourse Passive, a way of discussing things	<i>"It is <b>obvious</b>, that there are overlaps in our functions", said Konecranes' chairman Stig Gustavson in the companies' press conference today. According to him, competitive network has to be <b>maintained</b> because cranes are large machines and cannot be transferred for long distances. IS 11.8.2015 Karttunen compares the merger to <b>Konecranes' Chinese conquests</b>. "At one time, when the China-bliss begun everyone feared that jobs would go there. <b>Now it is understood, that expansion was to our advantage</b>, as the foothold in China has brought more jobs to Finland". KL 11.8.2015 Terex is already the third US company this week to announce <b>an acquisition that allows it to move its country of registry to elsewhere</b>. Coca-Cola's West European bottler <b>Coca-Cola Enterprises</b> and fertilizer producer <b>CF Industries</b> have announced they will move their homes to England. <b>More similar arrangements are incoming</b>. TE 12.8.2015</i>
Legitimation, delegitimation	Minor strategy Often implicit in the discourse	<i>Konecranes' merger partner Terex trusts that the Chinese construction market will recover in few years... Terex and Finnish</i>

and relegitimation of the merger	Retrospective references to CEO's past M&As Intertwined with rationalization and narrativization At times proactive, mainly passive	<i>Konecranes announced in August that <b>they would merge</b>. The deal is <b>intended to be completed</b> in the first half of next year. IS 21.9.2015</i> <i>Terex told on Thursday, that it has named John L. Garrison as its new CEO from 2<sup>nd</sup> of November onwards... Konecranes and American Terex <b>agreed in August to combine their businesses in a merger of equals</b>. The combined company will be called Konecranes Terex Oyj. TE 16.10.2015</i> <i>Routila knew about the coming merger arrangement during the hiring process. <b>"I have experience of 150 acquisitions or mergers</b>. A person who could lead the process to conclusion on the Konecranes' side was needed in this job." TE 27.11.2015</i>
A competing offer complicates the dynamic	Major strategy Stability, continuity and predictability main themes in rendering the merger normal Exemplarity utilized rarely, reference to executives' past experiences in M&A and Zoomlion's abnormal practices Intertwined with rationalization, authorization, moralization and narrativization Delegitimizing competing offer to (re)legitimate initial merger Mostly reactive	<i>He (Gustavson) reminds that from Terex's side it has been communicated that <b>the merger proceeds accordingly</b>, meaning that all processes aimed at securing permits from authorities <b>are progressing in normal schedule</b>. "The process is <b>still on track, but it is a large and long process</b>..." KL 26.1.2016</i> <i>Konecranes assures that its merger is on schedule regardless of the Chinese intrusion (sub heading). Crane manufacturer Konecranes assures, that its merger with American Terex Corporation <b>progresses accordingly</b>. The merger was announced in August, but in the beginning of this year, Chinese Zoomlion announced it had made a competing offer for Terex. Konecranes has however told it is <b>currently laying grounds</b> for the merger... The merger is <b>expected to be completed</b> around halfway 2018. IS 3.2.2016</i> <i>Konecranes chairman <b>Stig Gustavson still trusts the merger and its schedule</b>. "Preparations <b>continue</b> intensely. The task is huge and we are continuously discussing with Terex's chairman", Gustavson told in New York yesterday. KL 4.2.2016</i> <i><b>"This is inaccurate information", Routila commented on Reuters' report</b> to Taloussanomat. According to Routila, the <b>merger preparations continue and the business combination agreement has not been cancelled</b>. The agreement includes an article stating that the companies' general meetings can decide about the merger. At this moment, a <b>merger brochure is being prepared and approvals from competitive authorities are being applied for</b>. "The significant thing is, that both companies' boards' recommendations are <b>still in effect</b>," Routila says. IS 19.2.2016</i> <i>"And one advantage is speed. At Ahlström Capital we had 24 hours to decide whether <b>to purchase five percent of Outokumpu</b>. <b>We bought the stocks</b> of the steel manufacturer and the <b>sale of those brought a hundred million in profits</b>." (Panu Routila). KL 24.2.2016</i>
An increased Zoomlion offer	Major strategy Continuity and progress stressed Intertwined with rationalization and authorization Mainly reactive, at times proactive	<i>"The regulations will materially impact the ability of the combined company to realize the anticipated financial and tax benefits of the merger. The <b>anticipated pre-tax operational synergies are not impacted</b> by these rules", Konecranes stresses. Konecranes repeats that <b>Terex's board has not changed its recommendation</b> with regards supporting the intended merger with Konecranes. "Konecranes and Terex <b>will continue</b> to pursue the Merger in accordance with the business combination agreement. <b>Closing of the Merger is now expected to occur</b> approximately in the middle of the second half of 2016." KL 27.4.2016</i> <i>Konecranes board member Stig Gustavson only states that the <b>merger process goes forward</b> and that the companies expect more decisions from various countries' competitive authorities. KL 9.5.2016</i> <i>According to sources Zoomlion is expected to approach Terex's board within a couple of weeks. News about negotiations between Zoomlion and Terex have been expected ever since Terex CEO John Garrison told in April that Terex would continue its discussions about Zoomlion's offer. At the same time, crane manufacturer Konecranes stated it <b>continued to believe the merger with Terex would progress</b>. IS 10.5.2016</i>

Acquisition announcement	Minor strategy Predictability and control stressed Sub-ordinated to authorization	<i>The Konecranes Terex merger has been dwelled on for a long time. Spolander (an analyst) <b>does not consider the newest turn of events surprising</b>. He notes that for quite some time, it has been speculated that this could be the most tempting opportunity for Konecranes. KL 16.5.2016</i> <i>Chinese engineering giant Zoomlion can still collapse the acquisition with a binding offer for Terex. Konecranes vice chairman, vuorineuvos Stig Gustavson however estimates, that <b>the agreement between Konecranes and Terex is on an extremely firm ground</b>. KL 17.5.2016</i> <i>Crane company Konecranes told on Friday that its Terex acquisition <b>will progress as planned</b> after Zoomlion withdrew from the competition. TE 27.5.2016</i>
Naturalizing the acquisition post announcement	Minor strategy Predictability, control, continuity and progress stressed Sub-ordinated to authorization and rationalization	<i>“<b>The profitability improvement continued</b> in Business Area Service, while the <b>turnaround progressed</b> in Industrial Equipment and Port Solutions. This indicates that the <b>integration of MHPS is proceeding successfully and therefore improves our efficiency</b>.” says Konecranes CEO Panu Routila in a release. According to Routila <b>integration is running ahead of expectations</b>. The company now expects to implement synergies of 50 million instead of 45 million reported previously. IS 25.10.2017</i>

#### 4.3.1 Prior merger announcement

Normalization prior to the merger announcement was proactive in nature, which is logical considering the merger being legitimated had not yet taken place nor announced. As can be seen from below quote, during this period, future mergers and acquisitions were specifically discussed as accepted, expected and aspired activity that Konecranes should be engaged in. Although not referring to specific examples of M&A in the future, this kind of discourse prospectively rendered M&As normal by discussing them in aspiring terms. In general, the below quote is a representative example of the dominant discourse during the period prior the announcement making normalization one of the main legitimation strategies.

*Panu Routila’s task is to grow the crane company with acquisitions – HS 30.7.2015*

Interestingly, the HS profile also details the application process for the position of CEO, highlighting the fact that even though Mr. Routila and Mr. Gustavson had previously worked together and known each other quite intimately, rules and relevant regulation were abided by. This can be interpreted as pre-emptively trying to communicate a sense of normalcy in the hiring process because appointing executives from one’s own circle of acquaintances, although common, is often perceived as a violation of normal and accepted hiring practices. From a politics and power point of view, the communications can be seen as an attempt to delegitimize common conceptions of an ‘old-boy network’ where the elites give jobs to friends and family and to align the company with meritocratic practices of hiring, contributing to the sense of professionalism.

#### 4.3.2 Merger announcement

Following the announcement, normalization occurred through reference to past M&As. Konecranes previous acquisitions in China were retrospectively referred to as positive experiences even though the nature and size of those deals was very different to a merger of equals with an American company. Panu Routila's, Konecranes' CEO's personal experiences of M&As were also utilized as references to normalize the merger. More recently announced mergers between other companies were also referred to. Even though Coca-Cola Enterprises and CF Industries are in completely different industries and Coca-Cola Enterprises is a much larger company with different business models and strategies, common grounds for them and the Konecranes Terex merger were found in politics and taxation. As can be seen from below quote, referring to another, well known cross-border merger can make M&As seem like normal and accepted corporate activity even though a concrete link to those deals is thin.

*According to FT, many companies have moved their books away from the US in hope of lower taxation. Coca-Cola's bottler, **Coca-Cola Enterprises** and fertilizer producer **CF Industries among others**, have moved their books to the UK **with mergers and acquisitions**. Biotech company Monsanto might also move its books to Switzerland **when it acquires its competitor Syntega**. – IS 12.8.2015*

Most of the time normalization occurred more subtly in the way things were talked about. This type of linguistic normalization was especially prevalent in the local media and below quote is a representative example of that.

*The company **continues** with two head offices, one in Hyvinkää Finland, the other in Westport Connecticut, USA. – AP 11.8.2015*

By stressing that the company *continues* to operate instead of *begins* or *is going to* operate, stability and continuity were communicated and a sense of normalcy maintained. In small counties such as Hyvinkää, large corporations have a huge impact on the society as employers which means that stability and normalcy are essential sources of legitimacy.

In the business and national press, normalization occurred as the media begun discussing the merging companies as a single corporation, even though the merger would officially take place sometime in the following twelve months. An illustrative example of this was TE's

(11.8.2015) headline “Konecranes Terex will enlist in Helsinki and New York”. These normalization efforts were mainly passive ways of legitimating the merger, meaning a sense of active doer was lacking and the events seemed to be happening at a distance.

In the initial legitimation of Konecranes Terex merger, normalization was often intertwined with authorization and rationalization. For example, in an article justifying layoffs, potential cuts were described as “obvious” while the importance of maintaining a service and delivery network was stressed. In addition to referring to a rational argument about efficiency, these comments were both aimed at normalizing the situation, implying on the one hand that it is normal that some jobs will be lost and on the other that many jobs will remain and things will continue as they are.

#### **4.3.3 Legitimation, delegitimation and relegitimation of the merger**

During this phase of the M&A process, normalization did not utilize exemplary in similar fashion to the previous period. Instead, normalization mainly operated in sub-ordinated role to narrativization that focused on the career history of the new Konecranes CEO Panu Routila. Retrospective references to past M&As that he had executed during his career were common and these were mobilized in order to render the Konecranes Terex merger normal. This aspect of normalization will be discussed in more detail in the section on narrativization.

*Konecranes will partake in the hiring process of next Terex CEO – IS 13.8.2015*

The above is an IS headline of an article reporting the news that if Ron DeFeo, Terex CEO retires, Konecranes will have a say in the appointment of the new CEO. Generally speaking, the article is representative of the prevailing rationalistic discourse and was aimed at demonstrating that well-reasoned decisions were being made in the M&A process. However, when the discourse is inspected more closely, various other meanings can be detected. Communicating about potential departures can be seen as legitimation through pre-emptive normalization. In this case, the objective was to demonstrate control and predictability of future events in order to render them normal. By engaging in such pre-emptive legitimation, the company tried to alleviate potential concerns that might arise as the merger process progressed.

Some normalization efforts during this period were passive in nature and operated in the background rather than as the primary strategy. In short, they were similar to implicit normalization efforts in prior stages of the merger process and mainly manifested in the ways the merger was discussed. Furthermore, by focusing on not only how but also on what was discussed, normalization becomes more tangible. For example, Terex's operations in China and the hiring of a new CEO would not have received media coverage in Finland had it not been for the merger. Discussing these events in an everyday manner made the merger seem normal and broadly accepted even though active efforts proclaiming normalness or acceptability were lacking. Table 6 contains examples of these implicit and most likely subconscious attempts to normalize the merger.

#### 4.3.4 A competing offer complicates the dynamic

Despite rationalization being prevalent during this period, it was superseded by normalization as the dominant legitimation strategy during the first month following the Zoomlion offer while in the second month, its role decreased. In general, normalization, rationalization and authorization were all intertwined, complementing but also at times contradicting each other. Similar to previous periods, executives' experiences in M&As were used to legitimate the merger through exemplarity. Exemplarity was also utilized as a tool for delegitimation of the Zoomlion offer when the Chinese company's recently cancelled acquisition of a Dutch firm was referred to in order to both highlight the power of US competitive officials and the abnormality of Zoomlion and its offer (see section on authorization). Normalization was also intertwined with moralization, when references to abnormal practices in Zoomlion's past were made in order to delegitimize its offer and to contrast it with the 'normal' Konecranes Terex merger (see section on moralization). These kind of normalization efforts were however in minor role.

*"Since the announcement by the Chinese, the board of Konecranes confirmed that it **still pursues the merger according to initial plans**. "Konecranes **continues to be convinced** that the merger represents a highly compelling opportunity for both companies and their shareholders, and **stands behind and remains committed** to the merger. We believe that the **stock market undervalues the inherent value-creation potential of the merger...**" ... "The **merger is expected to be closed** during the second quarter of 2016". Konecranes **expects the new company** to be able to improve its profitability "significantly". – KL 3.2.2016*

*According to Konecranes, **Reuters information is inaccurate and (merger) preparations continue**. – IS 19.2.2016*

*Konecranes chairman Stig Gustavson commented to TE in February, a week after the non-binding Zoomlion offer was made public, that **there is no reason to doubt the progress of the merger**. – TE 19.2.2016*

In essence, the goal of normalization as a legitimation strategy during this period was to communicate stability, continuity and predictability to maintain a sense of normalcy. On a rhetorical level, words possessing assuring connotations, such as “convinced” and “committed” were used to demonstrate that the merger was on a solid ground and had the full focus of the company. The rhetoric also signified a high degree of seriousness as an effort to prove to stakeholders that Konecranes could be trusted and that the initial merger truly was the better option. The micro-process of normalization was also interlinked with continuous delegitimation of the competing offer and for example, Konecranes’ seriousness was highlighted and the initial merger normalized when Zoomlion’s offer was disparagingly referred to as “Chinese intrusion”.

When analyzing the contents of the normalizing texts more broadly, a sense of enormity about the M&A process is conveyed. By pointing to the size of the task and effort needed to complete it, the emerged problems in the merger process were framed in a way that made them seem like normal hindrances in such a process rather than impossible obstacles that could potentially end the process all together. In other words, discursive practices can posit difficulties as normal and even predictable events that in turn can help to maintain a sense of legitimacy.

Another, very context dependent way of legitimating the situation was correcting and disputing reports threatening the normalcy of the merger. This reactive measure was intended to dispute reports (19.2.2016) based on unnamed sources stating that the integration preparation had been halted. In this instance, normalizing happened through restating commitment to the merger and vaguely describing the progress of the process, although it is questionable whether this had any meaningful effect considering the general attitude and expert opinions recommending that the Zoomlion offer be at least be seriously considered. Even more so, the fact that operational integration negotiations, i.e. post-merger planning, were indeed halted on the following day (20.2.2016), could mean that the prior normalizing efforts had even negative and credibility reducing impact.



As the initial reaction to the competing offer passed and the merger begun to look more unlikely, normalization as a legitimization strategy started to lose its significance. In the initial reaction to the Zoomlion news, it had had a major role in re-legitimizing the merger by communicating stability and continuity. These efforts were reactive in nature and during the two-month period, proactive normalization was notably absent. An exception was the announcement by the company that Stig Gustavson would step down as chairman and Christoph Vitzthum would take his place. “I have the pleasure to state that Stig Gustavson has promised to support me in my tasks and especially with questions related to the merger, he (Vitzthum) continues.” (IS 23.3.2016). As the merger was personified in Stig Gustavson, this transition was going to raise questions regarding the progress of it and therefore pre-emptively normalizing the situation was logical. However, considering that Konecranes Terex was a “great merger dream” (TE 4.3.2016) of Stig Gustavson, him stepping down when the process seemed like it was going to end in failure carried significant meanings making normalizing the situation difficult.

#### 4.3.5 An increased Zoomlion offer

After and increased offer for Terex was made by Zoomlion, normalization to legitimate the Konecranes Terex merger was often utilized in tandem with rationalization. This happened by restating both companies’ commitment to the merger and describing the “tempting opportunity” that the initial merger presented. This strategy was characterized by typical features of rationalization as it referred to benefits, utility and outcomes of the merger while simultaneously using normalizing language, such as “continues to believe” to maintain and to re-establish the normalcy of the merger.

*“This is not news really, because they have been negotiating since last fall”, Gustavson states to Taloussanomat. He also tells that **he knew about the increasing of the offer** from 30 to 31 dollars. “Now they have officially told about the issue with a letter to Terex. This is **not yet about an official offer** but about an approach still.” Gustavson highlights that **Konecranes still has an agreement** with Terex about the merger. It does not have the possibility to make an agreement with the Chinese before the previous agreement has been cancelled. – IS 24.3.2016*

Normalization was also utilized without rationalization. As can be seen from the above quote, a difference between an offer and an approach was stressed. This downplayed the increased Zoomlion offer and highlighted the seriousness of the initial agreement with Konecranes. In other words, by making such a distinction, the merger was rendered as the

normal state of affairs while the new offer was portrayed as something less significant and abnormal. Moreover, by stating how he (Gustavson) had been aware of the negotiations between Terex and Zoomlion and about the increased offer before it became public, stability and predictability, that are crucial for a feeling of normalcy were communicated. Finally, by stressing the fact that Terex was not allowed to enter into an agreement with Zoomlion without cancelling its agreement with Konecranes, a sense of control, that is also essential in establishing legitimacy through normalization, was conveyed.

*Konecranes is taking the Terex merger forward even though finance and tax synergies worth 32 million are not expected to be realized due to US regulation. The 110 million operational synergies will not be affected by the regulation and **precisely these, and the creation of a global technology company** are the **main objectives** of the merger, according to Routila. – AP 27.4.2016*

The second major normalizing effort during this period occurred jointly with Konecranes breaking the news that most of the synergies related to financing and taxation would be eliminated due to regulations proposed in the US. Normalization in this case happened by first, clearly pointing out the responsible party meaning US authorities and second, by stressing that the operational synergies would not be affected. These synergies were also highlighted as the main rationale for the merger implying that things would progress as usual, maintaining normalcy and through that, legitimacy.

Normalization occurred also prospectively. This was the most explicit form normalization but very rare during this period. As can be seen from below quote, referring to projections into the future functioned as a way of constructing legitimacy for mergers and acquisitions. Specifically, a three-way deal where Terex would be divided by Konecranes and Zoomlion was legitimated by discussing expected consolidation in the crane industry. In talking about M&As this way, conformity and continuity with an ongoing trend is communicated.

***Acquisitions will continue** to divide the crane market. **Columbus McKinnon** strives to increase its revenues in Europe by approximately 200-300 million euros **with new acquisitions**. The target profit margin is about 12-14 per cent, which is aligned with that of Konecranes in the long term. – KL 31.3.2016*

#### **4.3.6 Acquisition announcement**

As a sole strategy, normalization was not in a significant role during or immediately following the acquisition announcement. It rather functioned in subtle ways together with

other strategies, such as authorization and narrativization as can be seen in table 6. Konecranes vice chairman Stig Gustavson assured that the acquisition is on a “firm ground” signifying stability and control while general statements like “after large acquisitions, companies typically eliminate overlapping functions” normalized the acquisition with a fact-of-life argumentation. Analysts in turn described the acquisition as not surprising conveying a sense of predictability which implied that this turn of events was in fact expected and therefore normal, increasing its legitimacy. Moreover, continuity and conformity were also highlighted by referring to past events, such as earlier speculation about the acquisition. After the announcement of Zoomlion’s withdrawal at the end of May, normalization was characterized by attempts to communicate continuity and accordance with planning. For example, TE 27.5.2016 repeated corporate communications stating that “the Terex acquisition is progressing as planned”.

#### **4.3.7 Naturalizing the acquisition post announcement**

In the final period of the M&A process, normalization was linked to authorization and rationalization. Similar to previous phases, continuity, predictability and progress of the acquisition were stressed. For example, profitability improvement in Services *continued* while a turnaround in Industrial Equipment and Port Solutions *progressed*. Both ways of describing operations possess positive and stable connotations and convey a sense of continuity and through that normalcy, that especially in turnaround situations are rarely assumed as self-evident. These efforts were subtle and implicit in many of the corporate communications and media texts, that primarily utilized other strategies. More generally, the fact that within the overall discourse rarely anything was discussed as surprising or shocking meant that the acquisition had time and space to slowly become commonly accepted and normal.

### **4.4 Moralization**

During the 30-month period, moralization was always present but at times only as an underlying set of foundational beliefs. These were neoliberal and capitalist in nature and provided a platform for other strategies, especially rationalization and authorization. At certain phases of the M&A process, moralization did however also possess a more notable role as a legitimation strategy. Table 5 below summarizes these dynamics and presents them

in chronological order. Two time periods, ‘prior merger announcement’ and ‘increased Zoomlion offer’, are not discussed in this section as distinct moralizations were lacking during these phases.

**Table 5: Moralization, notable dynamics**

Period	Notable dynamics	Illustrative quotes
Merger announcement	Minor strategy Intertwined with rationalization and authorization (to lesser extent) Implicit and subtle Mostly aligned with dominant ideologies Neoliberal and capitalist moral frames for legitimization, humanistic frame for delegitimation	<i>Gustavson compares crane component factories to the car industry, where logistics and procurement chains are central. “As can be said in German, there will be some “abbauen”, but also “aufbauen””, he said. Abbauen means dismantling and aufbauen building. <b>Cuts are incoming</b>, according to Gustavson, but he states that the <b>overall goal</b> of the merger is to <b>grow the business</b>. “Tomorrow’s jobs are not the jobs of today, but <b>there will jobs tomorrow too</b>”, Gustavson said. IS 11.8.2015</i>
Legitimation, delegitimation and re-legitimation of the merger	Minor strategy Implicit and subtle Proactive Intertwined with rationalization and politicization Liberal and democratic moral frame	<i>Should we now <b>feel sorry</b> and have a <b>guilty conscience</b> from the fact that at least some aspects in taxation of multinational corporations is competitive in our system? No, we should not. KL 14.8.2015</i> <i>Konecranes chief: Finnish political system is a risk to corporations (headline) IS 27.11.2015</i> <i>Konecranes, who is merging with American Terex decided to keep Finland as its home country even though this was seen as a <b>political risk</b>. Now the realization of that risk looks likelier than before. IS 27.11.2015</i>
A competing offer complicates the dynamic	Minor strategy Implicit in the discourse Actively produced by Konecranes management Intertwined with rationalization, narrativization and normalization Refers to both nationalistic and neoliberal and capitalist sets of values	<i>Konecranes’ Terex merger will receive a challenge from <b>Chinese state’s big money</b>. KL 23.2.2016</i> <i>US crane and machine manufacturer <b>Terex asks for an increased offer from Zoomlion, reports news agency Reuters</b>. According to the news agency, Zoomlion’s earlier 3,3 billion dollar offer for Terex, 30 dollars per share, is not enough for Terex to <b>abandon an agreed merger</b> with Finnish crane manufacturer Konecranes. Terex has however not indicated a price that would <b>make it willing to cancel the merger</b> with Konecranes. The situation described by Reuters is peculiar, because the Finnish company has a <b>binding agreement</b> with Terex. Konecranes chairman Stig Gustavson told to HS that he has already received the news about the Reuters report. He said that <b>he would contact Terex as soon as the day breaks in the US and people wake up. “I want to discuss with them about the background of this.”</b> Gustavson did not however wish to comment the news in any way, because information related to the matter <b>could significantly influence share prices</b> and because according to him, Reuters has had a lot of <b>questionable information</b> about the matter. Gustavsons calls news about the matter rumors. HS 25.2.2016</i> <i>The <b>Chinese ruin everything</b> (headline)... Recently, crane company Konecranes’ most bitter disappointments can be <b>attributed to the Chinese</b>... This year, Chinese competitor Zoomlion made an offer by which it intends to <b>thwart</b> Konecranes’ last year’s biggest project. Zoomlion offers a high price for American Terex who begun merger preparations with Konecranes last August.” – TE 18.3.2016</i>
Acquisition announcement	Minor strategy Explicit reference to nationalistic moral frame Societal frame in minor role Capitalist and neoliberal moral frame underlying most discourse	<i>Konecranes employs about 2000 people in Finland. Routila stresses that <b>Finland is important to Konecranes</b>. “Of course, I cannot promise anything, but Finland is <b>our home country</b> and a place, where we develop our products and IT systems. <b>We will need this even more in the future.</b>” In addition to development, in Finland Konecranes has factories in Hämeenlinna and Hyvinkää. According to Routila, the company benefits from the fact that development happens near the factories. “<b>The position of Finland might even improve due to the acquisition.</b>” HS 17.5.2016</i>

		<p>According to Routila, there will be some <b>tough decisions</b> regarding dismantling overlapping functions. According to him, there will (also) be some “easy eliminations” in situations where for example the company has two offices in the same harbor. In such situations (only) one office will be shut down, but the jobs of technicians will continue. The <b>objective is to increase the number of technicians by hundreds</b>, Routila states. HS 27.5.2016</p>
Naturalizing the acquisition post announcement	<p>Minor strategy Implicit in discourse Intertwined with rationalization and authorization Neoliberal and capitalist moral foundations dominant Societal and tribal foundations in subordinated roles</p>	<p>Konecranes highlighted as being a <b>single company</b>. The fact that Konecranes acquired only a part of Terex instead of going through with the full merger is implicit in the statement and is considered a positive. The way phrase “next generation” is used implies that new is better than old and aligns with neoliberal values  <i>”The MHPS Acquisition makes it possible for us to realize a long list of synergies. We will be <b>one technology company</b>, ready to create the <b>next generation</b> of lifting”, states Konecranes CEO Panu Routila in a release. The acquisition should bring yearly synergies of 140 million for Konecranes. The synergies should be realized in full within three years. HS 5.1.2017</i>          Implicit in below quote is that the good results in first quarter are due to the company being renewed → legitimates the acquisition when considered within the neoliberal and capitalist moral frame where new is often associated with good  <i>The year has begun well for the <b>new Konecranes</b>. The volume of new orders for the combined company grew 11,8 percent in January-March. AP 27.4.2017</i>          Societal moral foundations expressed through stressing the importance of the location of the HQ  <i>Routila recapped the events of the Terex deal that was completed at the turn of the year and stated that had the American Terex and Konecranes merged as was initially planned, the <b>headquarters might not have remained in Hyvinkää</b>. AP 25.8.2017</i></p>

#### 4.4.1 Merger announcement

Moralization as a legitimation strategy was rare during and immediately after the merger announcement. However, within the discourse concerning employment some hints of moralization were present even though these were subtle and implicit. IS (11.8.2015) article discussing employment concerns reports: ”Cuts are incoming, according to Gustavson, but he states that the overall goal of the merger is to grow the business”. When this statement is looked through the neo-liberal lenses that many if not all business journalists have, it has, in my view two implicit meanings. First, as growth by its nature is seen as good and something that should be strived for, layoffs can be perceived as a necessary but worthwhile sacrifice in a company’s efforts to pursue it. In addition, this expected future growth can be used to justify layoffs now, as often it is assumed that more jobs will be created by that growth in the future. In essence, moralization functioned together with and as an underlying set of assumptions for rationalization to legitimate the merger. Second, the goal of the merger was stated to be growth, not layoffs. The layoffs are seen as a vehicle to achieve growth, but not the objective itself, which might not at first seem like a major difference but from a moral stand point, the intentions of a company do indeed matter even though the actual outcome of the actions is the same (layoffs happen whether the goal is to grow or to cut jobs). By

actively communicating its intentions to be growth, the company demonstrates that it operates within the commonly accepted (neoliberal and capitalist) moral framework where growth is good and layoffs are bad but in order to achieve the former, the latter is justified.

It is noteworthy, that not all legitimation efforts are consciously applied but often unintentional and only reflect the built-in attitudes and values of the people producing the discourse. In the Konecranes Terex merger, these values and beliefs did have some variety in them and the fact that more societally oriented discourses emerged after the initial rationalistic reaction is a testament to that. However, most of the space in the discursive arena was given to management while critical and reactionary voices concerned with employment or other societal issues were more marginalized. The below quote is a good illustration of the way employee concerns were acknowledged but only within a rationalistic moral framework of perceiving the merger. In it, discourse based on humanistic moral framework regarding jobs is clearly countered by arguments founded on a neo-liberal and capitalist moral framework arguing that potential layoffs are for the best of the company, its growth and economic well-being.

*“Surely some employees are afraid of layoffs, and already thinking about the beginning of co-operation negotiations and shutting down of sites. But there are also employees who see the merger as supporting and strengthening Konecranes” (head union steward of Konecranes). – KL 11.8.2015*

In addition to humanistic and capitalistic moral frames, nationalistic moral foundations were also referred to establish legitimacy. This form of moralization emerged when a juxtaposition between Western companies and those from China was highlighted as rationale for the merger. In this dynamic, the nationalistic moral frame was not in contradiction to the neoliberal one, but functioned alongside it legitimating the merger. Rather paradoxically, this means that the merger was simultaneously seen as great coup by Konecranes and as an unavoidable development in competition with the Chinese.

#### **4.4.2 Legitimation, delegitimation and relegitimation of the merger**

During the five months after the announcement of the Konecranes Terex merger, the construction of legitimacy via moralization was implicit and rare. It was proactively utilized as a legitimation strategy and it operated within a political discourse. Below quote is illustrative of this.

*According to Routila, Finland is “slightly weird” from the US point of view. ‘Certain **political decisions** have been made here, **some even retroactively**. In that way, Finnish political system is seen as a **minor risk**’, Routila says in Taloussanomien interview. Lately, news of strikes has made the **risks look bigger than before**. – IS 27.11.2015*

As can be seen from above quote, a set of values, liberal and democratic in this case, were referred to in order to criticize the political system in Finland. A key legal principle in liberal and democratic political philosophy is that *ex post facto* laws are immoral and unjust and, in this case, a violation of this principle is referred to when criticizing the Finnish system. In this way, potentially unfavorable management actions such as layoffs, would be seen as necessary and unavoidable for the company to be able to operate in such an unfair and hostile environment that the Finnish political system is for corporations. In other words, the objective of moralization can be interpreted to have been the pre-emptive creation of excuses and rationales for possibly controversial management actions in the future. Interestingly, moralization was also utilized in conjunction with political discourse praising the Finnish system with regard to corporate taxation and the decision to register the merged company in Finland.

#### **4.4.3 A competing offer complicates the dynamic**

During the two month-period under investigation here, the moral foundations, that had in previous stages been implicitly referred to as a source of legitimacy changed. The formerly dominant neoliberal and capitalist moral frame gave room to a nationalistic frame of reference. This is logical considering Zoomlion is a Chinese company, Konecranes is from Finland and Terex is US based. On one hand, the legitimating discourse portrayed Konecranes as belonging to the West with the US, fighting against “the Chinese”, while on the other, Finland was seen as competing against China to win the favor of the US. The overall objective of this discourse was to construct moral narratives to maintain legitimacy of the Konecranes Terex merger by referring to the national interests of Finland and the US while pointing out that China’s national interests were non-compatible with them.

*“In addition, it seems that the company (Zoomlion) has had a lot of **business with the Chinese military and is involved in the country’s nuclear program**. It has also **done business with Iran during US boycott**.” (Sitg Gustavson) – KL 26.1.2016*

***A Chinese company is trying walk over Konecranes (headline)** – AP 28.1.2016*

***US lawmakers are worried about Chinese Zoomlion's acquisition offer for American crane manufacturer Terex, whom Finnish Konecranes has also pursued. Konecranes told of its intentions to purchase Terex last year, but now Chinese Zoomlion has thrown a spanner in the works by making an offer that Terex now considers... No one seems to be especially worried about Konecranes' offer, but Zoomlion's offer has raised broad concerns according to writings. – TE 1.3.2016***

As can be seen from above quotes, referring to a nationalistic moral frame portrayed the Chinese as a nuisance disturbing the business of Konecranes. This simultaneously aimed at legitimating the initial merger while also shifting responsibility for the closing of the deal away from Konecranes to competition and the markets in general. It must be noted that in addition to media, Konecranes itself actively produced discourses stressing the controversial and even secretive background of Zoomlion to undermine its offer's credibility and to maintain the now questioned legitimacy of the initial merger. This can be interpreted as utilizing moralization together with normalization to delegitimize the Zoomlion offer by referencing its past abnormal practices. In addition to purely national characteristics, the discourse clearly had shades of politics in it as well. Konecranes' efforts to highlight Finland's good relationship with the US and contrasting it to US-China relations is a good example of this. Politics were however also used to delegitimize the merger. HS's (3.2.2016) more critical take on the issue reminded audiences about the politics of the initial merger by stating "In the US, corporate tax rate is about 35 percent, which has caused many companies to look for merger partners in lower tax countries." This can be interpreted as delegitimizing the initial Konecranes Terex merger by implying that it was only a tax planning move from the much bigger company Terex and not the great coup that Konecranes portrayed it to be.

While during this period a nationalistic moral frame was a more explicit tool in maintaining legitimacy, neoliberal and capitalist values still maintained their implicit status as foundational core beliefs. This was evident in the reaction to reports claiming Terex had asked for an increased offer from Zoomlion without the knowledge of Konecranes.

***He (Gustavson) told that he would contact Terex as soon as the day breaks in the US and people wake up. "I want to discuss with them about the background of this." Gustavson did not however wish to comment the news in any way, because information related to the matter could significantly influence share prices and because according to him, Reuters has had a lot of questionable information about the matter. – HS 25.2.2016***



When reading the above closely and in its context (see table 5) it is evident that violations of certain values have occurred. First, the surprise and frustration expressed by Mr. Gustavson signals that Terex had violated the values and norms of doing business in a neoliberal and capitalist setting by going behind Konecranes' back to negotiate with Zoomlion. Terex was however not judged immediately, as only a wish to clarify the situation was presented, giving the American company the benefit of the doubt. Second, Mr. Gustavson criticized Reuters and implied that they had broken a set of values and norms of how journalism should be conducted. Stating that Reuters has had "questionable information" regarding the merger challenged Reuters' credibility and criticized them for publishing stories based on unreliable sources. By continuing to emphasize that such information about the merger could influence share prices, Reuters was judged to have behaved unethically. All in all, moralization during this period mostly referred to a nationalistic moral frame while a neoliberal and capitalist moral frame remained as the underlying foundation.

#### 4.4.4 Acquisition announcement

A moral foundation of a discourse is often implicit and rarely explicitly referred to when legitimating actions. This was the case after the acquisition announcement with regards to the default, neoliberal and capitalist moral frame of business journalism. While it underlaid the utilization of legitimation strategies, such as above discussed rationalization and authorization, it was only explicitly referred to in order to counter moralization founded on other, namely humanistic or societal sets of values. On the other hand, a nationalistic moral frame was regularly and explicitly referred to in order to legitimate the acquisition, as can be seen from below quote.

*Routila is satisfied with the agreed arrangement (acquisition). "This supports **Finnish development** and **Finnish production**. It is very important that development is near by the factory: it enables us to **invest in Finnish product development** and through that contributes to the **existence of the factory here in Finland**." – KL 16.5.2016*

By repeatedly stressing the benefit of the acquisition to Finland, moralization during this period appealed first to sentiments of national interest and only secondly to business logic (benefits of having development close to production). This demonstrates the simultaneous use of two moral frameworks. On the surface, a nationalistic framework was referred to while a capitalist and neoliberal frame functioned in a more implicit role. Furthermore, the

linking of the acquisition to investments in Finland and to the existence of a factory (and jobs) there, aimed to establish legitimacy for the acquisition. As the readership of KL is mainly Finns, drawing an equivalence between Finnish national interests and the acquisition can be interpreted as an attempt to increase the legitimacy of the latter. Finally, utilizing specific, emotionally charged rhetoric such as “home country” (see table 5) within a nationalistic moral frame is likely to increase the legitimacy of organizational actions by associating them with moral good. It should be noted that this type of rhetoric was relatively rare, which is understandable as within the dominant neoliberal and capitalist moral frame, it does not possess such legitimating properties.

*Will we see synergy arrangements with regards to factories? “Surely. We have service locations in the same cities and surely, we will combine some of them. I don’t believe that for example the number of technicians will be affected: **when aiming for growth, we will need more, not less, technicians.**” (Panu Routila) – KL 16.5.2016*

As can be seen from above, also a more humanistic moral frame was referred to in order to question the acquisition’s societal impact. These concerns were addressed swiftly by stating that even though some service locations would be combined, no technicians would be fired as the company was aiming for growth. In other words, a reversal from non-capitalist moral frame to the default neoliberal and capitalist frame occurred immediately. Generally speaking, within a capitalist frame, growth is seen as something good and in the case of this acquisition, utilizing such a frame did not require a complete abandonment or negation of the earlier moral frame but only the reintroduction of the default frame. This means that the concerns founded upon an alternative, humanistic moral frame were taken seriously and answered satisfactorily even though the discourse was reverted back to a neoliberal and capitalist moral frame, legitimating the acquisition.

#### **4.4.5 Naturalizing the acquisition post announcement**

During the final period of the M&A process, moralizations mostly referred to neoliberal and capitalist moral foundations and when doing so, were often intertwined with rationalization and authorization. This is logical as the effectiveness of the mentioned strategies is reliant on neoliberal and capitalist views of what is good, desired and accepted. However, few references to more humanistic and societal frames did take place. These foundations were referred in order to highlight an employee perspective amidst restructurings and to both utilize it to legitimate and delegitimize the acquisition. The first type of such moralization

gave voice to the workers in acquired factories and more broadly, took interest in the ownership change.

*In machining, components, very small ones too are being manufactured. Machine controller Thomas Jacobi holds in his hand a ten-centimeter steel joystick. Jacobi has worked at the factory for over 35 years. “We can calmly accept Konecranes’ ownership. The Finnish company manufactures cranes **just like us**. The earlier owner was perhaps not the best one for Demag”, Jacobi continues. – KL 23.3.2017*

As can be seen from above, instead of referring to growth or efficiency, a more romantic and even tribal set of values was referred to legitimate the acquisition. Pointing out that Konecranes’ main business was similar to Demag’s and implicitly drawing comparisons to Terex’s messier product portfolio and its general corporate attitude (finance instead of industrial) appealed to deeply wired us versus them sentiments. Implicit in the statement is also the assumption that Konecranes would better understand the industrial logic and needs of Demag than Terex, making it a better owner. It should be stressed that these value judgements, of who would make a good owner and who a bad one, were based on the single fact that Konecranes manufactured cranes. This means that belonging to the same ‘team’ (i.e. crane manufacturers) was considered crucial and in the utilized moral framework, this fact was elevated above other aspects of the acquisition, such as synergies, implying a use of a non-capitalist moral frame.

*Employees protested the co-operation negotiations (aimed at reducing personnel) by arranging a walkout on Friday 10<sup>th</sup> of November. The workplace was left at 11.30. “Spirits have been down and there is uncertainty in the air”, Töyrylä (head union steward of Konecranes’ Hyvinkää factory) describes the feelings among workers. CEO Panu Routila stated in a quarterly report in October that integration of operations is progressing ahead of expectations. The company is targeting EBIT level synergies of 140 million by the end of 2019. “We are now expecting to realize synergies of 50 million by the end of 2017”, Routila states in the report. – AP 6.12.2017*

As can be seen from above, the employee perspective was used in moralization to delegitimize the acquisition as well. The acquisition was clearly implied as the cause for the co-operation negotiations and possible reductions. By describing the moods and overall atmosphere among employees, societal values of sympathy and empathy for the workers were referred to, implying a different moral foundation to neoliberal and capitalist one. Furthermore, a reversal back to neoliberal and capitalist moral frame can be observed as synergies and progress of the acquisition were brought up. This discourse explicitly

countered the societal moral foundations by highlighting the financial benefits that the acquisition would bring, thereby legitimating it. It should be noted that as this transition from a moral framework to another demonstrates, changing moral foundations within a text in order to justify actions did occur during the M&A process in question.

## 4.5 Narrativization

During the M&A process, narrativization's main role was to provide an overall framework for other legitimation strategies, especially rationalization. Even though the facts in the process changed multiple times, the basic narrative structures remained the same. Recurring themes in the narratives were individual executives, their histories and personalities as well as rivalries between companies (first between Konecranes and Terex, then between Konecranes and Zoomlion). Towards the end of the M&A process, stories about that process and its turns of events also gained space in the discursive arena. In relation to other legitimation strategies, narrativization was often chronologically the last strategy utilized. Narrativizations were present at almost every period during the M&A process, with the hectic seven weeks following an increased Zoomlion offer being the exception. Distinctive dynamics of narrativization during each period are discussed below and summarized in table 6.

**Table 6: Narrativization, notable dynamics**

Period	Notable dynamics	Illustrative quotes
Prior merger announcement	CEO's personal life and his relationship with the chairman as main themes An overall frame for other strategies	<i>On Wednesday, Konecranes announced that Routila was chosen (as new CEO). Convenient, especially as Gustavson is also the vice chairman of Ahlström Capital making him Routila's boss. The selection is however not that simple. "I immediately said to Panu that I cannot say yes or no and that you must contact other people. When the CEO pick was discussed in the board, I sat in the hallway", vuorineuvos Gustavson says. HS 30.7.2015</i> <i>Being a CEO of a multinational corporation requires constant traveling and long hours. However, Routila is going to make sure that there will be time for beloved hobbies, golf and competitive dance. Yes, a sturdy, high caliber CEO relaxes in the dancefloor with his wife, sometimes even in competitive arenas. HS 30.7.2015</i>
Merger announcement	Minor strategy Histories and rivalries as main themes An overall frame for other strategies Chronologically the last strategy → construction of narratives time consuming	War metaphors and tales of past rivalries are used to construct narratives. <i>Karttunen compares the merger to <b>Konecranes' Chinese conquests</b>. "At one time, when the China-bliss begun everyone feared that jobs would go there. <b>Now it is understood, that expansion was to our advantage</b>, as the foothold in China has brought more jobs to Finland". KL 11.8.2015</i> <i>Terex has tried to <b>conquer</b> sales by lowering prices to which Konecranes has been able to answer, but partly <b>to the detriment of profits</b>. The <b>pricing competition ceases</b> now due to the merger. KL 12.8.2015</i>

Legitimation, delegitimation and re-legitimation of the merger	Major strategy Narratives personified in the CEO (general man of M&As), his career history and personal life Framework for other strategies Intertwined with authorization, rationalization, moralization and normalization Reactive	<p><i>Routila has worked a lot abroad. In France he worked as the CFO of Partek's subsidiary. "I was 27 years old and everyone else had been in the company for 15-20 years. I learned to speak French in three months and to work in a novel culture. I did not learn writing, but dictated letters to my secretary. At lunch, we drank wine every day. At first, during afternoons I was feeling quite drowsy." Routila's wine enthusiasm originates from France. He owns parts of vineyards in Provence and in Piemonte, Italy...</i></p> <p><i>"Red wines from the Italian vineyard are better while the French rosés and white wines are better." TE 27.11.2015</i></p> <p><i>When the crane manufacturer Konecranes informed about the appointment of a new CEO in July, board chairman Stig Gustavson explained the hiring of Panu Routila by pointing out that his "skills in indirect leadership of complex organizations" corresponded well with the future needs of Konecranes. Routila assumes that Gustavson referred to his previous job in investment company Ahlström Capital's management: during eight years, Routila had in his hands a group of companies that had nothing to do with each other. AP 5.12.2015</i></p> <p><i>Master of Economics and Business Administration, Routila, 51, lives officially in Naantali, but has an apartment in Helsinki that he shares with his daughter. Both are happy as the daughter, a student, does not have to pay rent and the father does not need to clean. AP 5.12.2015</i></p>
A competing offer complicates the dynamic	Minor strategy Narratives about the CEO's career history, success and personality Framework for other strategies Intertwined with rationalization, authorization, normalization	<p><i>Recapping work experience and success to construct a narrative</i></p> <p><i>In the 1980s he worked as the CFO of Partek, went through factories and molded together acquisitions in the French concrete business. After the French acquisitions, Partek sold its own technology, that could be considered world class, to cavity slabs. At Outokumpu, he worked in Chicago. China, foundries and engineering workshops became familiar as the CEO of Alteams which is part of the Kuusakoski Group. After that, Ahlström Capital gave him a vantage point as an investor and business developer. KL 24.2.2016</i></p> <p><i>Narrating memories and success stories from the past</i></p> <p><i>Routila smiles widely and momentarily returns to late 1990s Chicago. Outokumpu's copper unit made history and created its "own internet". "At that time email was already in use. We started to build direct connections to our clients, copper buyers across the world. It was an immediate success and rewarded both Outokumpu's copper factories and clients." KL 24.2.2016</i></p> <p><i>Describing personal leadership style to paint a familiar picture</i></p> <p><i>In practical leadership argumentation is highlighted over power use. "Broad range of skills and argumentation with staff must belong to leadership in everyday business. Creating a culture of argument and counter argument is not something to be taken for granted but must be continuously developed cooperatively in the work community, both at the office as well as in the factory. KL 24.2.2016</i></p>
Acquisition announcement	Minor strategy Narrative centered on the story of the M&A process so far Sports and war metaphors common Konecranes as the underdog	<p><i>Constructing a David v Goliath setting. Highlighting the difficulty of the competition</i></p> <p><i>"Yes, we begun discussing about this option (acquisition) when we learned about the Chinese offer for Terex. Very quickly we decided not to compete against the Chinese for the entire Terex. We would have run out of money when fighting against the Chinese state", Routila says. KL 16.5.2016</i></p> <p><i>Underdog winning against all odds. Overcoming difficulties</i></p> <p><i>Konecranes Group will after all <b>emerge victorious</b>... The August merger project <b>was in danger of taking a step</b> back in the beginning of the year. <b>Zoomlion attacked</b> and offered over three billion for Terex. <b>Analysts</b> found time to suggest that <b>Konecranes should withdraw</b> from the project but <b>Gustavson did not give up</b>... Konecranes' struggle can be considered a victory. KL 17.5.2016</i></p> <p><i>The <b>Chinese withdrew</b> from Terex. <b>Konecranes won</b> and will acquire port and industrial cranes from the American machine company. "I am happy about the deal, that was <b>completed after complex and difficult phases. We never thought about backing off</b> from acquiring Terex", CEO Panu Routila tells from France. Konecranes' Terex merger project was published in August last year. Chinese Zoomlion messed up the game with its offer in January. "I told our people that <b>we are not playing on the (lower) division level but in the NHL and we won</b>. Now we are awaiting competitive officials' decisions and will move forward operationally after the New Year." KL 27.5.2016</i></p>

Naturalizing the acquisition post announcement	Minor strategy Narrative centered on individuals and on the history of the M&A process An overall frame for other strategies	Individual heroism, reference to duty <i>Konecranes chairman Chritoph Vitzthum has announced to Konecranes that if the annual general meeting approves Hartwall Capital's proposal (of payments to board members) <b>he will forfeit his one-time payment.</b> The reason is that Vitzthum considers his contribution (to the M&amp;A process) to have been part of the <b>duties</b> of a chairman. IS 24.8.2016</i> Narrative highlighting of the size and specialty of the acquisition <i>It all begun a couple of years ago with crane company Konecranes' <b>fierce desire to grow, turned into a months-long torment but ended up as a delicious acquisition of crane business.</b> The deal made by Konecranes is one of the <b>largest in Finnish economic history.</b> It is a rare and <b>special demonstration of skill</b> in its intricacy. TE 19.5.2017</i> Utilization of narrative language to tell a story <i>An <b>excruciating wait</b> begun. Routila knew that Terex CEO John L. Garrison went to visit China in order to negotiate a deal with Zoomlion. On Friday 27<sup>th</sup> of May at four o'clock in the morning Routila's phone rang. <b>It was Garrison.</b> "He was on his way to the airport and told that the Chinese were not able to make a final offer. <b>Our deal was in effect. All the months of hard work culminated in that moment.</b>" TE 19.5.2017</i>
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#### 4.5.1 Prior merger announcement

Legitimation of the Konecranes Terex merger prior the announcement happened indirectly in the media. By this I mean that as the merger was not public information yet, legitimacy for potential future M&As in general was constructed instead of directly legitimating a specific merger. Profiles of the new CEO constructed a narrative of a competent and experienced leader with specific skillset in M&As, broadening the range of acceptable and legitimate actions he could take as an executive. In addition to focusing on the 'cold rationales' for the hire (see section on rationalization), these narratives provided an overall, softer, frame for other legitimation strategies, namely rationalization, normalization and authorization, by telling personified stories from the CEO's past and spare time as well as about his friendly relationship with the chairman.

#### 4.5.2 Merger announcement

KL article (12.8.2015) titled "Giant merger saves crane companies" deviates the most from other media texts published during and immediately after the merger announcement by telling a story to construct legitimacy. The article recaps the histories and rivalries of Konecranes and Terex, how they fought out on Demag in 2011 and how Konecranes then lost but now emerges as victorious. The following quotes are good examples of how these kinds of narratives and language were used to establish legitimacy.

*Terex became a **direct competitor to Konecranes** four years ago when it bought Demag. At that time, Demag generated half a billion euros in revenues in industrial cranes and a couple of hundred million in port cranes. – KL 12.8.2015*

*According to market estimates, Terex's the acquisition of Fantuzzi was more or less a failure. **Konecranes competed for Demag but came in second.** According to various sources, Terex even **tried to take over Konecranes** who's biggest owner, the Hartwal family eventually **came to rescue.** – KL 12.8.2015*

*The well-known Swedish Cevian Partners first took over Demag, which then ended up being sold to Terex at a top, billion-euro price. Now the newly merged Konecranes Terex includes the Demag cranes as well, and **without the billion-euro price tag.** – KL 12.8.2015*

Highlighting Konecranes' and Terex's battle for Demag cranes and subsequent competition is a textbook case of utilizing a rivalry in order to tell a story and through that establish legitimacy. Overall, the narrative exhibits many characteristics of a typical heroic story. It begins with Konecranes, the hero, encountering hardships and adversity in losing out to Terex in a battle for Demag. This event is also described as the beginning of a long rivalry that lasted until the announcement of the merger. The story then continues with Konecranes patiently and strategically waiting for a new opportunity to strike while fending off attacks from Terex. Especially the way that a near loss (a takeover) is avoided with a last-minute rescue is compelling. Furthermore, by portraying the journey as difficult, the grandeur of the eventual overcoming of these difficulties and the final accomplishment (the merger and Demag cranes at a discount price) is highlighted.

In general, during the announcement and the following media coverage, explicit narrativization was extremely rare and was only truly used as legitimation strategy after the initial burst of media attention had deflated. This can be interpreted to mean that the construction of compelling narratives requires time contrary to many other strategies that utilize corporate communications or opinions of authorities that are often immediately available after an announcement.

#### **4.5.3 Legitimation, delegitimation and relegitimation of the merger**

The most concrete relegitimation of the merger after the emergence of skeptical voices was done through narrativization that had shades of authorization, portraying the career and experiences of Panu Routila, Konecranes CEO. These seem reactive and targeted legitimation strategies used to counter emerged criticism.

*During his career, Panu Routila **has been through over a hundred mergers and acquisition. He is needed** when Konecranes merges with American Terex. – TE 27.11.2015*

*Routila of Konecranes is **a special man of mergers** – AP headline 5.12.2015*

The above quotes are representative examples of discourse that simplified and personified large and complex issues and provided a foundation for narrativization aimed at legitimization by telling stories. In this instance, narrativization functioned so that M&As were described as battles and Mr. Routila a general fighting and leading his troops in them. “He is needed” and “special man of mergers” type of rhetoric implies that the merger process would be challenging and there was no one else who could navigate the difficulties ahead. In essence, by utilizing a narrative style, the discourse simultaneously highlighted the enormity and difficulty of the task ahead and claimed that for Mr. Routila completing that task was possible and even easy. Concurrently with the heroism rhetoric, a more personal and ‘common man’ picture of Mr. Routila was painted by discussing his hobbies and family life. The constant and laudatory references to Mr. Routila’s expertise and skills can also be interpreted as authorization. While the commonly referred authorities such as markets and analysts were mainly utilized to delegitimize the merger during this phase, the Konecranes CEO was raised to a celebrity role in the media, thus increasing his authority and thereby utility as a vehicle for legitimization.

In addition to authorization, narrativization functioned as a broad frame for other legitimization strategies, such as rationalization and moralization. A good example of how rationalization was intertwined with narrativization is the way the recruitment process of Mr. Routila was detailed and the rational, strategic reasons for hiring him demonstrated. Furthermore, within the narrative structures, the synergy benefits and value creation opportunities were once again stressed in a rationalistic manner. The monetary benefits of the merger were repeated in an unquestionable way making them seem straightforward, inevitable and overall positive outcomes of the deal.

#### **4.5.4 A competing offer complicates the dynamic**

As was the case during the previous phase, narrativization as a legitimization strategy was utilized after the initial burst of news discussing the latest developments had deflated. At this time, the role of narrativization was minor while focus on Panu Routila, the Konecranes CEO remained. Although largely similar, the narratives following the Zoomlion offer



stressed the humane and personal leadership style of Mr. Routila slightly more than previously. This nuance can be detected in the below quote.

*There is no mystique in success or failure. “The **employee always knows best** whether he has **acted right or wrong**. The big picture must be clear to both employees and the management. I always stress the framework.” Routila says, that creating value does not require thick folders nor thousand rule textbooks. “When the financial situation is tight and difficult decisions must be made due to efficiency measures, the employee who for example must leave his job **must not be blamed**.” – KL 24.2.2016*

In the narrative legitimization of the merger during this stage of the process, the Konecranes Terex deal was mentioned only passingly, which means that legitimacy was maintained indirectly. By recapping Mr. Routila’s job history in a positive and relaxed way and by describing his humane leadership style, his and Konecranes’ legitimacy are enhanced. This naturally results in his and Konecranes’ actions being perceived to be legitimate as well. Furthermore, similar to previous periods, narrativization provided a framework for other strategies, such as rationalization and moralization. The highlighting of the profits Mr. Routila made in his previous job (see table 6) is a good example of rationalization that objectifies benefits by giving monetary values to them. Narrativization’s link to moralization was explored in previous section.

#### **4.5.5 Acquisition announcement**

As in previous stages of this M&A process, narrativization consisted of telling stories in order to establish legitimacy. All in all, these stories revolved around topics such as war and battle, competition, victory and loss, overcoming of hardships and unfavorable odds and taking one’s opportunities to eventually triumph. The most distinguishing feature of narrativization during this period was the realization of Stig Gustavson’s dream of a global crane giant.

*If the deal is closed, **Gustavson’s dream of a global crane giant will materialize**. In essence, Konecranes and Gustavson **defeated the Chinese** whose non-binding offer was **especially popular** among American funds owning Terex. – KL 17.5.2016*

*Konecranes and Terex announced their first merger project in August last year. At that time, Gustavson was still the chairman of Konecranes’ board and **the main architect of the merger**. He has remained in the latter role. – KL 17.5.2016*

The above quotes reflect well the broader narrative describing the long journey from the initial merger negotiations to the announcement of the acquisition. Referring to post-acquisition Konecranes as a “dream” made it not only an accepted but a desirable future state. Moreover, describing the dream as something difficult to obtain and long sought for, the magnitude of the acquisition was highlighted. When this grandness is combined with the desirable nature of the dream, the acquisition becomes something truly great and can be seen as legitimate in itself. In addition to the content, the way Konecranes’ and Mr. Gustavson’s victory over the Chinese was described, had a legitimating impact. First, personification (“Gustavson defeated”, “main architect”) and through that simplification of complex organizational actions had a clear role of producing a sense of winners and losers, which in turn was utilized to legitimate those actions. Second, pitting Konecranes, a moderately sized company and Mr. Gustavson, a private person against “the Chinese” created a David versus Goliath setting where the hero defeats a giant highlighting the grandness of the victory. Finally, mentioning the fact that the American funds, a powerful entity as well, were in support of the Chinese further highlighted the unfavorable odds that Konecranes fought and won against.

Interestingly, during the period between the announcement (16.5.) and Zoomlion ending its interest in Terex (27.5.), the acquisition was in some contexts portrayed as a complete victory (as discussed above), and in others as more of an ingenious compromise solution. For example, in KL 16.5.2016 Konecranes CEO Panu Routila pointed out that it would have been impossible to compete against the Chinese state’s money and that is why an alternative option (acquisition) was brought up in the first place. Even though the exact terminology was different, both, the compromise and victory narratives portrayed Konecranes as defeating all odds and through that legitimated the acquisition. This could be interpreted to imply that whether legitimacy is discursively constructed or not depends more on the context, the broader narrative and the way things are discussed (both compromise and victory narratives portrayed Konecranes in positive light: (1) defeating a mighty opponent (2) figuring out a way to bypass this opponent) than the exact content of that discourse.

#### **4.5.6 Naturalizing the acquisition post announcement**

Even though the facts of the case changed (Terex MHPS acquisition was confirmed), narrativization as a legitimation strategy did not change. As in previous phases of the M&A process, it functioned as a broader framework for other strategies, although oftentimes

authorization and rationalization functioned solely without significant narratives enveloping them. In the naturalizing phase, narrativization centered again on individual Konecranes executives as well as on recapping the history and exciting turns of events of the process. Stories of past rivalries, difficult odds, hardships and inventive problem solving were told in order to establish and maintain legitimacy of the acquisition. Some of the narratives also included hints of normalization through minor retrospective references to past M&As (“The deal made by Konecranes is one of the largest in Finnish economic history.” – TE 19.5.2017). These dynamics and illustrative quotes are summarized in table 6.

#### 4.6 Politicization, a sixth strategy?

During the first weeks following the initial merger announcement, a novel type of legitimating discourse emerged in the media. In this thesis I have categorized this as a separate but context dependent legitimation strategy in addition to the five independent strategies discussed above. Table 7 below summarizes the notable dynamics of this strategy.

**Table 7: Politicization, notable dynamics**

Period	Notable dynamics	Illustrative quotes
Legitimation, delegitimation and relegitimation of the merger	Minor strategy Legitimation indirectly by association with positive political issues and decisions Alignment with dominant ideologies essential → mutually reinforcing legitimation dynamic Moral and national dimension Intertwined with rationalization	<i>Even though Terex is the bigger of the two, the merged company will register in Finland (corporate tax rate 20 percent) instead of the US (corporate tax rate 35 percent). What should the American tax payer think of Finland now? Is Finland a tax haven? There is a good reason to say yes. KL 14.8.2015</i> <i>When Finland lowered its corporate tax rate to 20 percent, the government justified its decision with dynamic effects. This means that low tax rates incentivize investing, create jobs and eventually increase tax revenues. In the general economic downturn dynamic effects have been minor, but <b>Terex becoming Finnish is a rare win in the tax competition.</b> TE 21.8.2015</i> <i>Companies are not complaining about Finland's corporate tax rate anymore. The competitive advantage brought by low tax rates can be however nibbled away by an overenthusiastic and unpredictable tax man. Nasty surprises are the worst poison for investments. TE 21.8.2015</i>

Politicization in the media focused on the political and ideological aspects of the merger. In the M&A process investigated here, the emergence of this discourse was due to reports that Konecranes Terex would be registered in Finland because of a lower corporate tax rate than

that of the US. The fact that this decision gained so much attention and sparked a political discussion was due to the government's then recent and somewhat controversial decision to lower the tax rate amidst austerity measures. In the Konecranes Terex merger, politicization had two dimensions, moral and national. First, as the business press is dominated by neo-liberal and capitalist ideologies that consider low tax rates to be morally good and economically beneficial, the merger was seen as proof of these ideologies working. The following quotes are representative of these sentiments in the media.

*The merger is a text book example of the fact that **the decision to lower the corporate tax rate to 20 percent was the right one**. Had it been higher, yet another company would have left the Helsinki stock exchange and moved abroad. – KL 14.8.2015*

*Who **benefits** from this game (tax competition)? In addition to Terex and Konecranes shareholders, **us Finns, who might get some fillings to our empty coffers do**. – KL 14.8.2015*

If literally interpreted, the merger was not directly legitimated by these discourses. On the contrary, it (the merger) was used to legitimate the dominant ideologies. However, the fact that such legitimization strategy was used implies that the merger in itself possessed a degree of legitimacy that could be referred to as an authority when legitimating an ideology. From this it follows that the increased legitimacy of the ideologies, their approval of, and explicit connection to the merger within the discourse then further legitimated it, resulting in mutually reinforcing legitimization dynamics.

Second, the national dimension of politicization was evident in the discourse as the registry decision was seen as a national victory for Finland over the US. This dimension is well represented in below quotes.

*International tax competition is brutal and the biggest overreactions must be reined in with regulation. **In Finland, we must however remember our own interests**. In taxation, we do not have many advantages. – KL 14.8.2015*

***Finland's low corporate tax rate** by European standards produced **beautiful results**, when the soon to be formed Konecranes Terex decided to register in Finland instead of Terex's native US, where it would have had to pay almost double in taxes. **Finland-USA 1-0. Loser: the poor American**. – AP 15.8.2015*

***Finland received a rare victory in tax competition (headline)** – TE 21.8.2015*

This dimension of politicization clearly legitimated both the decision to lower the tax rate as well as the merger. Even though the central focus of the articles was to discuss and comment on the political decision regarding the tax rate, the merger was either intentionally or unintentionally legitimated by describing it as a “victory” and a “beautiful result”. The way tax competition was framed as an international contest where countries must look after for their own interests was aimed at legitimating the political decision. However, as Konecranes is Finnish, it and the merger decision by definition belong to the ‘Finnish team’ that is competing against other countries which means that its actions are often by default seen as legitimate. In sum, legitimacy was constructed by linking the actions that were being legitimated with a positive (within a dominant ideology) political issue or decision.

## **5. Discussion and conclusions**

### **5.1 Summary**

The purpose of this thesis was to investigate legitimation strategies in a M&A process in general and changes in them when a merger is cancelled and an acquisition takes place in particular. A discourse analytical approach was adopted to answer following research questions:

What are the discursive legitimation dynamics and strategies in a merger and acquisition process?

How do these dynamics evolve over time when a merger is cancelled and an acquisition takes place?

As a result of my analysis of 201 articles from four Finnish newspapers and a magazine, I identified several independent legitimation strategies and a single context dependent strategy. The categorization of the independent strategies draws from Vaara and colleagues' (2006) work on normalization, authorization, rationalization, narrativization and moralization while politicization as a legitimation strategy was identified as an additional contextually dependent strategy. The utilization of these strategies during a 30-month period was examined and the results are summarized in table 8 below.

**Table 8: Summary of research results**

	<b>Rationalization</b>	<b>Authorization</b>	<b>Normalization</b>
<b>Definition of strategy</b>	Legitimation through reference to rationality (utility, benefit, purpose, outcomes)	Legitimation through reference to authority	Legitimation through normalizing language and reference to normal behavior (exemplarity)
<b>Prior merger announcement</b>	Minor strategy Theme: value creation	Minor strategy Authorities: management	Major strategy Exemplarity (CEO's past M&As)
<b>Merger announcement</b>	Dominant and default strategy Themes: synergies, value creation, profits, benefits, competitive position Repeated corporate communications	Major strategy Authorities: markets, analysts, management Follows rationalization in time	Minor strategy Retrospective and prospective exemplarity Normalizing language
<b>Legitimation, delegitimation and relegitimation of the merger</b>	Major strategy Novel themes: competitive advantage, growth, internationalization Used to counter more critical societal discourses	Major strategy for delegitimation Authorities: analysts, banks, investors Authorities utilize rationalizations	Minor strategy Exemplarity (CEO's past M&As) Normalizing language
<b>A competing offer complicates the dynamic</b>	Major strategy Themes: efficiency, comparison of offers, financial outcomes Simultaneous legitimation of one deal and delegitimation of the other Proactive legitimation of possible failure a novel feature	Major strategy for both legitimation (competitive officials, management) and delegitimation (markets, banks, investors, newspapers, analysts)	Major strategy Normalizing language Rare exemplarity (CEO past experiences, Zoomlion's abnormal practices)
<b>An increased Zoomlion offer</b>	Major strategy Themes: benefits, utility, outcomes, speculation on divestments and reimbursements Simultaneous legitimation of one deal and delegitimation of the other	Major strategy for legitimation (markets, analysts, owners, boards, contracts) and delegitimation (analysts)	Major strategy Normalizing language
<b>Acquisition announcement</b>	Major strategy Themes: synergies, improved global position, value creation, growth, strategic fit Utilized to attribute blame for merger failure to Terex and Zoomlion	Major strategy Authorities: analysts, markets, management, journalists Analysts as key producers of legitimating discourse	Minor strategy Normalizing language
<b>Naturalizing the acquisition post announcement</b>	Major strategy Themes: competitiveness, growth, profit, efficiency, synergies Stressing of progress of the acquisition central	Dominant strategy Authorities: competitive officials, analysts, markets, journalists	Minor strategy Normalizing language

Table 8 continues

	<b>Moralization</b>	<b>Narrativization</b>	<b>Politicization</b>
<b>Definition of strategy</b>	Legitimation through reference to specific moralities or ideologies	Legitimation through telling stories and dramatization	Legitimation through association with positive political issues & events
<b>Prior merger announcement</b>	Not distinguishable	Overall frame for other strategies Theme: CEO	Not distinguishable
<b>Merger announcement</b>	Minor strategy Neoliberal & capitalist frame for legitimation Humanistic for delegitimation	Minor strategy Themes: histories, rivalries Chronologically the last strategy	Not distinguishable
<b>Legitimation, delegitimation and relegitimation of the merger</b>	Minor strategy Neoliberal & capitalist frame foundational Liberal & democratic frame more explicit	Major strategy Theme: CEO Overall frame for other strategies	Minor strategy Alignment with dominant ideologies Moral & national dimension
<b>A competing offer complicates the dynamic</b>	Minor strategy Neoliberal & capitalist frame coexisting with nationalistic frame	Minor strategy Theme: CEO Overall frame for other strategies	Not distinguishable
<b>An increased Zoomlion offer</b>	Not distinguishable	Not distinguishable	Not distinguishable
<b>Acquisition announcement</b>	Minor strategy Neoliberal & capitalist frame foundational, societal frame in minor role Nationalistic frame explicit	Minor strategy Themes: story of the M&A process so far, Konecranes as underdog, sports & war metaphors Overall frame for other strategies	Not distinguishable
<b>Naturalizing the acquisition post announcement</b>	Minor strategy Neoliberal & capitalist frame dominant Societal & tribal frame in subordinated roles	Minor strategy Themes: Individuals, story of the M&A process Overall frame for other strategies	Not distinguishable

## 5.2 Discussion

This thesis is located in the intersection of two streams of literature, legitimation and mergers and acquisitions. Based on a review of these literature in chapter two, a theoretical framework was formed. In this thesis, with the framework and research questions in mind, I adopted a view of legitimation as a continuous process of social negotiation (Suddaby et al., 2017) that principally occurs in the media (Mazza & Alvarez, 2000). M&A is in turn seen as a process of combining two organizations or their components into a single entity (Graebner et al., 2017). Building on these theoretical foundations, legitimation of M&As is considered a discursive practice that consist of intentional and unintentional strategizing that is heavily context dependent.



### **5.2.1 Discursive legitimization of M&As in the media**

With regards to broader discursive dynamics, my thesis confirms previous notions that the media is dominated by neoliberal and capitalist discourses (Bourdieu 1998; Fairclough 2000; Tienari et al. 2003; Vaara et al. 2006; Vaara & Tienari, 2008). It also validates Vaara and Tienari's (2002) claim that non-rationalistic, for example cultural and societal discourses often function in sub-ordinated roles to a rationalistic one. Most importantly however, my findings show that discursive legitimization is at its most intense during and immediately following a merger or an acquisition announcement, which is logical considering the fact that opinions about an M&A are often formed in the beginning of the process (Vaara & Tienari, 2002). This has implications on the chronology of legitimization strategy utilization that will be discussed in later sections.

Legitimation strategies and their utilization in justifying mergers and acquisitions are interesting and multifaceted phenomena that have in recent years received increased attention in institutional literature. In general, my findings support the commonly accepted view that specific discursive strategies are used in legitimization of organizational actions (Van Leeuwen & Wodak, 1999; Suddaby & Greenwood, 2005; Vaara et al., 2006; Vaara & Monin, 2010). In particular, this thesis confirms that discursive (de)legitimation of M&As in the media utilizes various strategies and that this happens both intentionally and unintentionally. Finally, based on my findings and on previous research on discursive strategizing, it can be stated that (de)legitimation in the media is heavily influenced by the ideologies, beliefs and backgrounds of journalists producing the discourse while it is simultaneously reliant on organizational reality that restricts the meanings discourses can be given. In sum, the findings presented in this research mainly confirm and validate previous research on discursive legitimization, even though some fascinating questions are raised concerning implications drawn in earlier work. These are not aimed at, nor do they, debunk previous research. Instead, they only highlight the complexity and context dependency of M&As while opening up new and interesting avenues for further research.

### **5.2.2 Legitimation strategies**

With regards to specific discursive strategies, my research draws on Vaara and colleagues' (2006) categorization of legitimization strategies into normalization, authorization, rationalization, narrativization and moralization. My analysis supports this categorization identifying all the above-mentioned strategies while also demonstrating that the relative

importance of different strategies varies greatly depending on the stage of the M&A process investigated. In addition to legitimation, discursive strategies are also used in delegitimation and relegitimation of M&As, and based on my findings which align with previous research, this oftentimes happens in an asymmetrical manner (Vaara & Tienari, 2002; Suddaby & Greenwood, 2005; Vaara et al., 2006). This means that different strategies are used or the same strategy is used in a differing way when legitimating and delegitimizing certain actions.

As mentioned above, my research shows that (de)legitimation strategies possess varying roles during different stages of a M&A process. In terms of general legitimation dynamics, it seems that rationalization is the most frequent and the default strategy utilized immediately after a merger or an acquisition is announced. My findings indicate that it is followed by authorization, while normalization is less explicit, continuously functioning in the background. Narrativization seems to be utilized more frequently only when other strategies are exhausted, while all the strategies, especially rationalization, assume a moral foundation. Explicit moralizations in turn are rare. These are of course broad generalizations and in fact, I found support for Vaara and colleagues' (2006) claim that legitimation strategies are often intertwined with each other. This means that different strategies do not operate in purely sequential and isolated manner during a M&A process but overlap, supplement, support and sometimes contradict each other. Implications of these dynamics are discussed next.

### **5.2.3 Rationalization**

My findings validate Vaara and colleagues' (2006) observations as rationalizations in my data set often referred to the benefits and outcomes of the deal being legitimated, stressing value creation, synergies, profit, efficiency, growth, competitiveness, internationalization and strategic fit in order to legitimate organizational actions. These referrals assume a neoliberal and capitalist moral foundation and as can be seen from table 8, the relative importance of these benefits and outcomes varied during the process. Notably, the focus on synergies was the highest immediately after an announcement (both merger and acquisition), while during ambiguous periods between announcements rationalization was utilized to divert discourses away from criticism and to delegitimize any contradictory voices. When the merger was cancelled and an acquisition took place, rationalization focused on discussing positive aspects of said acquisition while direct comparisons to the intended merger were rare. Rationalization was also utilized to attribute responsibility for the cancellation of the initial deal to the seller as well as to a third party. The transition from a

merger to an acquisition lacked major conflict and criticism and based on my findings, that is likely due to positive integration results.

My findings point to rationalization as the default legitimation strategy. When we consider the fact that the principal arena for legitimation, the media, is dominated by neoliberal and capitalist discourses (e.g. Vaara et al., 2006) that are heavily reliant on objectifiable facts such as financial calculations, this is not surprising. Due to its reliance on objectifiable material, the media often repeats corporate communications and calculations as these are manifestations of such material. The repetition of corporate communications is especially prevalent immediately after a M&A announcement because of the major upturn in the supply of suitable source material. Moreover, the material released by the merging companies usually portrays the companies in a rather positive light and promotes optimistic calculations, demonstrating that companies themselves are active and intentional producers of legitimating discourses. Repetition of these in the media then upholds that positive image, although it is unclear how much of this is done intentionally. I found that the default attitude in the media towards M&As is often positive as very few critical perspectives gained space in the media, which means that the repetition and production of positively charged rationalizations quickly become the dominant discourse, aligning with Vaara and colleagues' (2006) observations.

#### **5.2.4 Authorization**

In my data set, rationalization was often followed by and intertwined with authorization, that referred to analysts and other experts, the markets (e.g. share prices), company management, banks and other institutions, competitive officials, economic developments and business journalists and columnists in order to establish and maintain legitimacy. These notions align with previous understanding about authorization as a discursive strategy (Vaara et al., 2006). My findings also demonstrate that authorization was utilized in both legitimation and delegitimation and that these often happened sequentially, although some overlap was detected when competitive officials and contractual agreements were utilized for legitimation at the same time when analysts and markets were referred in order to delegitimize the merger. This phenomenon of contradictory authorization is not uncommon in the literature (Vaara et al., 2006), but was rather rare in this M&A process.

During the M&A process investigated, analysts were the most frequently referred authority in both legitimation (beginning & ending of the process) and delegitimation (during ambiguous periods between merger and acquisition announcements). They also possessed important roles as producers of legitimating discourses, especially when the merger was cancelled and the acquisition took place. During that phase, analysts were unanimous in praising the acquisition over the merger. As the company avoided discussing the cancelled merger, discursive space was given to analysts to compare the two deals and to legitimate the acquisition. As with rationalization, it is likely that positive integration results help to explain the lack of critical voices in the media towards the strategic change.

Interestingly, when the initially proposed merger became threatened by a competing offer, competitive officials emerged as a crucial legitimating authority, while analysts and many other authorities turned into vehicles for delegitimation. This can be interpreted as the media beginning to promote competitive officials as an authority after a sudden disappearance of previously utilized authorities. The fact that competitive officials had not been actively referred to prior publishing of the new offer could be interpreted as a result of a bias in the media. Future research could investigate nature of this possible bias.

Furthermore, my findings point to asymmetrical utilization of share price fluctuations as authorities in legitimation and delegitimation. Positive developments during the M&A process were often attributed to if not explicitly, at least implicitly to the M&A, while negative developments were widely regarded as results of general economic downturns and therefore not referred as delegitimizing authorities. Further research should utilize quantitative methods and larger samples to investigate this phenomenon in order to draw generalizable conclusions about it.

### **5.2.5 Normalization**

According to Vaara and colleagues (2006), normalization occurs often by exemplarity, meaning drawing comparisons with similar cases and events in the past or the future. The objective of this is to render something normal. In my data, exemplarity could be identified in legitimation and to a lesser extent in delegitimation. Explicit comparisons to other M&As, similar or not, were however rare while retrospective referencing of the CEO's past experiences in executing M&As was more common. This seems intentional and was aimed at communicating control and exemplary behavior to establish M&As as normal corporate

activity. In relation to other legitimation strategies, my findings suggest that normalization is not as common as rationalization and authorization even though it was often intertwined with them. It is therefore questionable whether normalization is the “primary type of legitimation” (Vaara et al., 2006).

Although my findings confirm many of Vaara and colleagues’ (2006) notions about normalization, they also point to a novel aspect of this strategy as in my data set, a sense of normalcy was often created by utilizing specific language instead of referrals to examples. That is to say, normalcy was established by talking about the M&A as something mundane and common, communicating continuity and conformity that were typical in Vaara and colleagues’ (2006) conceptualization as well. Language connoting predictability and progress was also typical in trying to establish the M&A as normal. In the language use in general it is difficult to distinguish the intentional from unintentional, although in corporate communications and in media texts repeating those, intention is often obvious.

Furthermore, my findings reveal that while at most times normalization was implicit in the language, its role became more explicit after the publishing of a competing offer. This has two, mutually non-exclusive implications. First, it seems that normalization is a key strategy in maintaining legitimacy in ambiguous situations with multiple variables. This implies that normalization as a discursive strategy is especially closely linked with sense making (Weick, 1995; Weick et al., 2015) and sense giving (Gioia & Chittipeddi, 1991; Vaara & Monin, 2010; Monin et al., 2013). Second, in the M&A process investigated financial realities (monetary comparisons between the two offers) restricted the utilization of rationalization and authorization giving space for normalization, which implies that it does not necessitate such calculations nor strategic analysis. Future research could explore this aspect of normalization in more depth.

#### **5.2.6 Moralization**

According to Vaara and colleagues (2006), it is impossible to fully untangle moralization from rationalization as it always has a moral basis. In the media, this basis is often neoliberal and capitalist and it underlies the texts in subtle and implicit ways (Bourdieu 1998; Fairclough 2000; Tienari et al., 2003; Vaara et al., 2006; Vaara & Tienari, 2008). My findings broadly align with previous literature (Vaara et al., 2006) which posits that this dominant moral foundation is generally utilized for legitimation while alternative, such as

humanistic moral foundations are used to delegitimize organizational actions. This dynamic occurred multiple times and often in sequential manner so that neoliberal and capitalist moral frame was explicitly utilized to counter the humanistic moral frame. However, during the 30-month period there were moments when a humanistic moral foundation was utilized in tandem with a neoliberal one to legitimate the M&A.

An interesting finding of my analysis concerns the utilization of a nationalistic moral frame. This frame was increasingly utilized for legitimation after the publishing of a competing offer from abroad and implies that referrals to nationalistic sentiments are largely context dependent. The increased use also implies that nationalistic moral foundations are mainly utilized for legitimation instead of delegitimation. To elaborate more, in the beginning of the M&A process the organizational reality was from a nationalistic point of view mostly unfavorable towards the merger while later on, the competition between companies from various countries enabled the use of nationalistic morality as a legitimation tool. Nationalistic moral foundations were often referred to in complementary fashion with referrals to neoliberal and capitalist foundations and became especially prominent after the acquisition announcement, implying that from a nationalistic point of view, an acquisition of a foreign company by a domestic one is perceived as better than a cross-border merger-of-equals. The change in the use of a nationalistic moral frame was the only significant change in moralization when the merger was cancelled and an acquisition took place. That is to say, referrals to the dominant and underlying neoliberal and capitalist moral frame remained similar throughout the process.

Moralization was also intertwined with politicization (discussed below). I found that the political system was criticized in order to shift responsibility for potentially negative organizational actions away from the company. Interestingly, this occurred simultaneously with praising of the system in order to legitimate the M&A process implying that the discursive context of the legitimation strategy is crucial in understanding of it. Both of these efforts exhibited neoliberal, capitalist and nationalistic moral characteristics and it can therefore be argued that various moralities can be utilized in intertwined fashion. Finally, glimpses of referrals to a tribal, us versus them, moral foundation were also found as a result of my analysis. This type of moralization utilizes group identity as a vehicle for legitimation. In this case ‘crane manufacturer’ was considered an important shared identity between the acquirer and the acquired and by itself provided a degree of legitimacy for the deal. This

type of moralization was however rare and more research should be conducted to investigate the dynamic more closely.

### **5.2.7 Narrativization**

My findings on narrativization support previous understanding on it as a legitimization strategy (Vaara et al., 2006; Van Leeuwen & Wodak, 1999). Stories about victory and loss, competition, overcoming of hardships, triumphant underdogs and heroism were typical vehicles in establishing legitimacy through telling stories. In my data, a special focus was put on individuals such as company executives and their personal stories. In general, narrativization provided a broad framework for other strategies such as rationalization and authorization, supporting Vaara and colleagues' (2006) conclusions.

One of my key findings was that narrativization is hugely context dependent. The narrative arc however remains the same, which means that when the merger was cancelled and an acquisition took place, stories of rivalries and histories maintained their presence, only the protagonists and antagonists as well as the settings of those stories changed. In other words, the contents of narratives change in time in order for them to align with and be relevant for the surrounding events and organizational reality. This implies that in order for narrativization to work in establishing legitimacy, some alignment with organizational reality is needed. As organizations are simultaneously socially constructed and socially constitutive (Fairclough, 2005; Vaara & Monin, 2010), narrativization both socially constructs organizational reality and at the same time is restricted by that reality.

Finally, in relation to other legitimization strategies, my data shows that narrativization is often chronologically the last strategy utilized. This is logical as constructing compelling narratives is time-consuming and often requires deeper research, such as interviews, which is not the case with simple repetition of corporate communications. From this it follows that rationalization and authorization are utilized and also often exhausted quickly after an announcement while narrativization becomes more prominent only after the initial burst of news coverage has deflated. This has interesting implications as according to Vaara and Tienari (2002), opinions about M&As are often formed shortly following an announcement meaning narrativization's role in shaping that opinion should be minor. Future research could investigate what exactly is narrativization's legitimating impact in light of the above notions.

### **5.2.8 Politicization**

In addition to identifying independent legitimation strategies corresponding with Vaara and colleagues' (2006) conceptualization, my findings also indicate that a supplementary, dependent strategy exists. Politicization occurred only few times during the period investigated but due to its nature and prominence, in this thesis it is categorized as a distinct legitimation strategy.

In my data set politicization operated through association. Organizational actions being legitimated were associated with positive political issues within the dominant, neoliberal and capitalist ideology and through that, legitimacy for the actions was established. Delegitimation via association with negative issues was not found in my data set and future research could investigate whether this is a distinguishable strategy. For politicization as a legitimation strategy to function correctly, it seems that a dominance of a certain ideology that provides moral foundations for value judgements is necessary. Furthermore, topical political issues that are widely considered as good within the moral framework are needed. These conditions at least partly explain the scarce use of the strategy and the lack of previous literature about it. The latter might also be explained by differing approaches to categorization. That is to say, it is reasonable to argue that politicization could also be categorized as a sub-strategy of moralization due to its obvious moral elements.

## **5.3 Practical implications**

This thesis has several practical implications for managers, journalists and others involved in executing organizational changes and communicating about those changes. Legitimacy as a concept is rather theoretical but understanding how it is discursively constructed in the media is crucial for practitioners in addition to scholars. Even though the corporate world is closely connected to the material realm (Vaara & Monin, 2010), the discursive realm has its role in forming and changing people's perceptions of what is right and wrong, approved and disapproved. This means that for us to comprehend why and how organizational actions are perceived and received differently, understanding discursive legitimation is essential.



As discussed above, this thesis stresses the role of corporate communications in the social negotiation of forming opinions about M&As. According to previous literature, these opinions are often formed in the beginning of a M&A process (Vaara & Tienari, 2002). My findings demonstrate that rationalization is often the first legitimation strategy utilized after an announcement, which means that managers should pay special attention to it in their efforts to construct legitimacy. This is especially true as my findings show that initial rationalizations in the media often consist of straightforward repetition of corporate communications, giving space for managers to influence stakeholders through the media.

This thesis also elaborates on the important role of authorities as sources of legitimacy. Especially analysts affect the public discourse and influence perceptions of what is legitimate and what is not. Therefore, managers should consider the perspectives and reactions of various authorities when communicating about M&As. This would lessen the possibility of misunderstandings and help to avoid forming perceptions of illegitimacy due to wrong reasons. Some communications could even be specifically tailored for certain authorities to highlight aspects of the strategic change that they value. Furthermore, when large strategic changes take place, for example, a merger is cancelled and an acquisition is conducted, legitimation of the latter action can be difficult without indirectly questioning the decision making of the management. In situations like this, managers should consider relying more heavily on authorities as main producers of legitimating discourses instead of trying to legitimate the change themselves.

My findings validate Vaara and Monin's (2010) conclusions that concrete integration results are crucial in determining whether legitimacy is in the end established or not. This means that even though corporate communications are important from both legal and business points of view, managers should keep in mind that discursive construction of legitimacy is only part of the process of establishing legitimacy in the long term. That is to say that in management and strategy work, main focus should be in achieving concrete integration results, not in strategizing how to construct legitimacy for less concrete results.

Finally, as has been established, discursive practices in the media play a significant role in the construction of legitimacy as well as denoting something as illegitimate. This means that journalists and other producers of (de)legitimizing discourses wield substantial power to influence perceptions and through that, actions, both on individual as well as on

organizational level. This raises ethical questions of what can and should be published in the media and how those in power should conduct themselves. These considerations are however outside the scope of this study and based on my findings it can only be stated that discursive construction of legitimacy in M&As has ethical implications concerning responsibility and power that managers and journalist should be aware of.

## **5.4 Conclusions**

In this thesis I adopted discourse analysis as a method to investigate legitimation dynamics in a M&A process. Particular focus was on legitimation strategies and changes in them when a merger is cancelled and an acquisition takes place. The rationale for the study was personal interest in M&As and lack of literature on changes in legitimation strategies. I argued that investigating discursive legitimation during changes in a M&A process can reveal new insights into the utilization of various strategies and increase our comprehension of legitimation as a dynamic micro-process. My analysis was based on Vaara and colleagues' (2006) categorization of legitimation strategies into rationalization, normalization, authorization, moralization and narrativization. My findings support this categorization and add to our understanding of the dynamic nature of these strategies in times of strategic change.

My findings point to rationalization and authorization as the primary legitimation strategies, slightly contradicting Vaara and colleagues' (2006) notion about normalization's primary role. With regards to normalization, it is also argued that in addition to exemplary, it functions through specific language use and that this aspect should be investigated in more detail. My analysis shows that legitimation and delegitimation occur often somewhat sequentially although overlap was also detected and that various legitimation strategies are utilized in various ways depending on the context and on the progress of the M&A process. Narrativization is demonstrated to remain structurally similar while the contents of it can change rapidly in order for it to align with organizational reality. Notions on moralization as an underlying set of values in turn fully support previous literature (Vaara et al., 2006), although hints of tribal moralities were found, extending our current understanding. Future research could investigate the nature of these. Finally, an additional legitimation strategy,

politicization was identified. It however appears to be a very context dependent and rare, and due to its obvious moral qualities, could be categorized as a sub-strategy to moralization.

When a merger is cancelled and an acquisition takes place, legitimation by the company occurs primarily by highlighting positive aspects of the new deal and avoiding comparisons between the merger and the acquisition. However, in the media, voices with positive attitudes towards the acquisition are given space to draw comparisons and through that legitimate the newly announced deal. To further legitimate it, responsibility for the failure of the initial deal is explicitly attributed to external parties and factors. Moreover, crucial for legitimacy construction when a merger is cancelled and an acquisition takes place are concrete integration results, validating Vaara and Monin's (2010) observation that alignment between discursive and material realms is essential in legitimation.

This thesis also elucidates on the role of the media as a primary arena for legitimation and reasserts that it has a crucial role in constructing legitimacy by bringing forth certain voices while marginalizing others (Tienari, et al. 2003; Mazza & Alvarez, 2000). The media's role is further highlighted as language use, the way things are talked about intentionally or not, is demonstrated to have significant legitimating impact. Previous claims about the media's ideological alignment with neoliberal and capitalist thought (e.g. Vaara & Tienari, 2008) are also validated and it is further argued that the media, due to its tendency to repeat corporate communications, possesses an especially crucial role in rationalization. Finally, hints of a positive default attitude towards M&As in the media is also suggested.

## **5.5 Limitations and future research**

Due to the purpose and scope of this thesis, I have performed only a superficial examination of legitimation strategies in general and changes in them in particular. This investigation was conducted with discourse analysis as a method, limiting the study to textual analysis of media accounts of a M&A process. These limitations were discussed in more detail in chapter three and it is now maintained that the focus was on a single M&A process centering on the perspective of one company, restricting the possibility of generalization. My data was limited to four Finnish newspapers and a magazine for a time period of 30 months, narrowing the perspective on the phenomena and further limiting generalizability. Moreover, due to the

interpretive nature of the analysis, some meanings in my reading of the texts might have got lost or misunderstood. Finally, as the data for the study was in Finnish and the findings presented in English, some meanings could have been lost in translation as well. All in all, conclusions about legitimation strategies and changes in them when a merger is cancelled and acquisition takes place should only be applied to other contexts on the abstract level.

In this thesis, the main focus has been on the media as the principal arena for legitimation. More specifically, legitimation strategies have been investigated through analysis of newspaper articles. Due to continuous and rapid evolution of technologies and culture, in today's corporate communications social media plays an increasingly important role in communicating organizational actions and change, and therefore represents an interesting new arena for legitimacy construction. The role of social media is interesting in various ways and future research should concern itself with it for several reasons. First, communication via social media reaches audiences without journalist editorial oversight and is thereby parallel to corporate communications. On the other hand, communications in social media reach much larger audiences in quicker fashion and are often more informal in tone. This makes social media platforms unique arenas to influence people's perceptions of what is legitimate and what is not. Second, a dialogical component is inherent in social media which means that corporate communications become bidirectional adding an interesting new element to the process of legitimation. Third, the audience in social media is relatively young compared to the that of more traditional media, creating a need for a completely novel type of communicating and legitimacy construction.

With regards to the traditional media, future research should focus on how mergers and acquisitions are being discussed. Based on my analysis, post-merger integration (PMI) receives very little coverage in the media. This is interesting as the success or failure of a M&A is often dependent on PMI. Furthermore, based on my analysis, it seems the media's understanding of PMI and its crucial role in M&A is deficient. Future research should therefore investigate the lack of interest and expertise in the media when it comes to PMI.

This study has examined legitimation strategies utilized and changes in them in an eventful cross-border M&A process from the point of view of a single company. My data set consisted of articles solely from Finnish newspapers and a magazine, leaving out media outlets in other countries. Future research should broaden the pool of data and include

articles from both merger partners' (or acquirer and acquired companies') home countries. This way, an interesting comparison between two points of view could be conducted. The media as a whole consists of various elements and newspapers and magazines are only one aspect of a larger whole. In order to gain a holistic view of media discourses, tv and other media coverage of the M&A investigated could be included in the data set as well to give a broader perspective on the events and legitimization strategies.

In terms of specific legitimization strategies, further research should be conducted on the role and nature of normalization. According to Vaara and colleagues (2006), normalization occurs via exemplarity and while this study found some support for that, the role of language in normalizing corporate actions emerged as crucial. More research on the linguistic nature of normalization should therefore be conducted in order to re-evaluate my findings. In addition, politicization should be inspected more closely. In my data set, it was identified as an additional legitimization strategy and this categorization should be examined in other contexts before we can assert whether politicization should indeed be considered as a separate legitimization strategy or if belongs to another category as a sub-strategy. A suggested starting point for further research would be to position politicization either as an individual strategy or as a sub-strategy to moralization.

The key phenomenon that was inspected in this thesis was the utilization of legitimization strategies in the transition from an intended merger to an acquisition. Even though the change was at least partly forced by circumstances, the latter solution was widely accepted as the better option. This means that the strategic change from a merger to an acquisition faced little resistance and therefore needed relatively little legitimization. Future research could extend on this thesis and Vaara and Monin's (2010) work on the role of concrete integration results and investigate legitimization strategies in change processes (transition from a merger to an acquisition or vice versa) where the initial strategic option is considered superior to the one actually taking place.

Finally, in terms of research methods, future research should consider applying a multimethod approach. Most analysis of discursive strategizing in M&A situations, including this thesis, has been done through textual analysis. These studies have provided crucial insights into discursive legitimization but conducting interviews and making observations in the field would enable the analysis of social conditions and practices and

thereby complement textual analysis (Vaara & Monin, 2010). Moreover, it would be interesting to empirically measure the perceptions of (il)legitimacy and to analyze these in light of discursive practices in the media. As has been demonstrated in previous literature (Vaara & Monin, 2010) and in this thesis, organizational and societal structures play an important double role, socially constructing and constituting actions. This means that by examining these structures and the settings more broadly, explanations for discrepancies between various studies could be elaborated on and our understanding of context dependency increased. Future research should also consider applying quantitative methods in order to complement qualitative findings and to increase the generalizability of results.

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